

**Tennessee School Boards Association  
TSBA OPEB Trust Meeting  
Doubletree Downtown Nashville Hotel Brentwood/Franklin Room  
Monday, February 14, 2022**

The TSBA OPEB Trustees met on Monday, February 14, 2022. The following members were present: .

Mark Hansen called the meeting to order at and welcomed everyone.

The meeting adjourned at

**Respectfully submitted,**

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**Mark Hansen, Chairman**

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**Tammy Grissom, OPEB Trust Administrator**



**OPEB Trust Meeting  
Doubletree Downtown Nashville Hotel  
Brentwood/Franklin Room  
February 14, 2022**

**AGENDA**

1:00 p.m.	Call to Order	Dr. Dale Viox, Chairman
1:02 p.m.	Approval of Agenda	
1:04 p.m.	Approval of November 20, 2021 Minutes	
1:06 p.m.	Approval of 6-month Financial Statements (December 31, 2021)	Dr. Tammy Grissom, Trust Administrator
1:08 p.m.	Report of Activities and Fiscal Condition of the Trust	
1:10 p.m.	Review and Approve Changes to the Following Policies: <ul style="list-style-type: none"><li>• 1000 – Selection and Duties of the Trustees</li><li>• 1010 – Board of Trustees’ Meetings</li></ul>	Emily Warren, Staff Attorney
1:15 p.m.	Review Investment Policy	
1:20 p.m.	Review Investment Report	Chris Sigmund, Morgan Stanley
1:45 p.m.	Brainstorm Ways to Market the OPEB Trust	Dr. Tammy Grissom
1:55 p.m.	Other Business	
2:00 p.m.	Adjourn	

**Tennessee School Boards Association  
OPEB Trust Meeting  
Gaylord Opryland Resort and Convention Center  
Magnolia Boardroom A**

The TSBA OPEB Trustees met on Saturday, November 20, 2021. The following members were present: **Dr. Dale Viox**, Arlington; **Kevin Long**, Johnson County; **Brett Henley**, Coffee County; **Wright Cox**, Collierville; **A.J. Massey**, Jackson-Madison County; and **Dr. Tammy Grissom**, Trust Administrator. Absent was **Kevin Woods**, Shelby County. TSBA staff member present was **Emily Warren**. The following were also in attendance: **Chris Sigmund** with Morgan Stanley and **Erica Saeger** with Crosslin.

Dr. Dale Viox called the meeting to order at 12:26 p.m. and welcomed everyone.

**LONG/COX:** Motion to approve the agenda. MOTION CARRIED.

**COX/LONG:** Motion to approve February 23, 2021 Minutes. MOTION CARRIED.

**LONG/HENLEY:** Motion to accept the 3-month Financial Statements (September 30, 2021). MOTION CARRIED.

Dr. Tammy Grissom, the Trust Administrator, reported on the activities and fiscal condition of the Trust. She noted that no new members had joined the OPEB Trust. She reminded everyone as to the benefits of being a member with the Trust.

Emily Warren, TSBA Staff Attorney, reported that there were no proposed changes to the OPEB Trust Bylaws at this time.

Erica Saeger with Crosslin reviewed the June 30, 2021 OPEB Trust Audit. There was no discussion or questions as to the contents of the audit.

**LONG/COX:** Motion to approve the June 30, 2021 OPEB Trust Audit. MOTION CARRIED.

**HENLEY/COX:** Motion to select Crosslin as the audit company for the TSBA OPEB Trust for the years 2022, 2023, and 2024.

Chris Sigmund with Morgan Stanley reported on the financial stability of the OPEB Trust and the performance of the Trust's investments in the current economy. He stated that the Trust is performing within the fiduciary guidelines as set forth by the investment policy and that the rate of return is extremely good for the year. He went into detail as to the current trend of the market as well as future projections for the Trust.

**LONG/COX:** Motion to approve the appointments of the following Trustees (term: 01/01/22 – 12/31/24): Dr. Dale Viox, Arlington; Kevin Long, Johnson County; Wright Cox, Collierville; A.J. Massey, Jackson-Madison County; and Kevin Woods, Shelby County. MOTION CARRIED.

**LONG/HENLEY:** Motion to elect Dr. Dale Viox as Chairman and Kevin Long as Vice-Chairman.  
MOTION CARRIED.

A.J. Massey discussed ways to promote the benefits of the OPEB Trust to other school districts. The Board agreed to discuss ways to market the Trust at the February 2022 Trust meeting.

The meeting adjourned at 1:05 p.m.

**Respectfully submitted,**

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**Dr. Dale Viox, Chairman**

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**Dr. Tammy Grissom, OPEB Trust Administrator**

**TSBA OPEB Trust**  
**Balance Sheet**  
As of December 31, 2021

	Dec 31, 21
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000-00 · Suntrust Operating Account	5,653.32
<b>Total Checking/Savings</b>	5,653.32
<b>Other Current Assets</b>	
1300-00 · Investments	
1300-10 · Hickman County Investments	2,883,336.80
1300-20 · Johnson County Investments	1,426,534.74
1300-30 · Shelby County Investments	121,819,141.07
1300-50 · Jackson-Madison Investments	524,012.42
1300-60 · Arlington Investments	4,169,162.44
1300-70 · Bartlett Investments	5,048,856.63
1300-80 · Collierville Investments	2,163,526.15
1300-90 · Lakeland Investments	2,248,801.25
1300-91 · Millington Investments	398,105.81
<b>Total 1300-00 · Investments</b>	140,681,477.31
<b>Total Other Current Assets</b>	140,681,477.31
<b>Total Current Assets</b>	140,687,130.63
<b>TOTAL ASSETS</b>	<b>140,687,130.63</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Equity</b>	
3200-00 · Unrestricted Net Assets	137,761,847.40
Net Income	2,925,283.23
<b>Total Equity</b>	140,687,130.63
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>140,687,130.63</b>

**TSBA OPEB Trust**  
**Profit & Loss**  
 July through December 2021

	Jul - Dec 21
<b>Income</b>	
4400-00 · Unrealized Gain/Loss	
4400-10 · Unrealized Gain/Loss - Hickman	-28,197.07
4400-20 · Unrealized Gain/Loss - Johnson	-13,976.87
4400-30 · Unrealized Gain/Loss - Shelby	-1,184,819.71
4400-50 · Unrealized Gain/Loss - JMadison	-5,171.35
4400-60 · Unrealized Gain/Loss - Arlingto	-40,823.08
4400-70 · Unrealized Gain/Loss - Bartlett	-49,826.83
4400-80 · Unrealized Gain/Loss - Collierv	-21,577.80
4400-90 · Unrealized Gain/Loss - Lakeland	-22,638.10
4400-91 · Unrealized Gain/Loss - Millingt	-3,877.27
	-1,370,908.08
<b>Total 4400-00 · Unrealized Gain/Loss</b>	<b>-1,370,908.08</b>
4500-00 · Interest, Dividends&Capital Gn	
4500-10 · Interest, Div., & CG - Hickman	91,560.89
4500-20 · Interest, Div., & CG - Johnson	45,322.09
4500-30 · Interest, Div., & CG - Shelby	3,911,257.29
4500-50 · Interest, Div., & CG - JMadison	16,669.23
4500-60 · Interest, Div., & CG - Arlingto	132,804.33
4500-70 · Interest, Div., & CG - Bartlett	160,795.69
4500-80 · Interest, Div., & CG - Collierv	68,814.62
4500-90 · Interest, Div., & CG - Lakeland	71,728.56
4500-91 · Interest, Div., & CG - Millingt	12,657.38
	4,511,610.08
<b>Total 4500-00 · Interest, Dividends&amp;Capital Gn</b>	<b>4,511,610.08</b>
4800-00 · Interest Income	0.30
	0.30
<b>Total Income</b>	<b>3,140,702.30</b>
<b>Expense</b>	
6400-00 · Administrative Fee	
6400-10 · Administrative Fee - Hickman	3,513.32
6400-20 · Administrative Fee - Johnson	1,738.22
6400-30 · Administrative Fee - Shelby	73,409.18
6400-50 · Administrative Fee - J. Madison	638.53
6400-60 · Administrative Fee - Arlington	5,079.94
6400-70 · Administrative Fee - Bartlett	6,152.22
6400-80 · Administrative Fee - Colliervil	2,636.58
6400-90 · Administrative Fee - Lakeland	2,740.52
6400-91 · Administrative Fee - Millington	485.07
	96,393.58
<b>Total 6400-00 · Administrative Fee</b>	<b>96,393.58</b>
6500-00 · Investment Advisor Fees	
6500-10 · Investment Advisor Fees - Hickm	2,419.08
6500-20 · Investment Advisor Fees - Johns	1,198.56
6500-30 · Investment Advisor Fees - Shelb	103,090.41
6500-50 · Investment Advisor Fees - JMadi	441.05
6500-60 · Investment Advisor Fees - Arlin	3,537.10
6500-70 · Investment Advisor Fees - Bartl	4,278.18
6500-80 · Investment Advisor Fees - Colli	1,820.98
6500-90 · Investment Advisor Fees - Lakel	1,905.63
6500-91 · Investment Advisor Fees - Milli	334.50
	119,025.49
<b>Total 6500-00 · Investment Advisor Fees</b>	<b>119,025.49</b>
<b>Total Expense</b>	<b>215,419.07</b>
<b>Net Income</b>	<b>2,925,283.23</b>

# TSBA OPEB Trust

Descriptor Term:  <b>Selection and Duties of the Trustees</b>	Descriptor Code:  <b>1000</b>	Revised:  <b>10/21/20</b>
	Rescinds:  <b>1000</b>	Previous Issued:  <b>02/18/19</b>

## 1 APPOINTMENT OF TRUSTEES

2 The Board of Trustees shall consist of seven (7) Trustees: the Executive Director and President  
3 of the Tennessee School Boards Association, serving as ex-officio members; and the remaining  
4 five (5) Trustees, appointed by the TSBA OPEB Trustees from the governing boards of the  
5 participating members of the Trust. The term of these five (5) Trustees shall be three (3) years.

## 6 OFFICERS

7 Officers of the Trust shall consist of a Chairman and Vice-Chairman and such other officers as  
8 are established from time to time by the Trustees. All officers shall be elected annually by the  
9 Board of Trustees with the term beginning on January 1<sup>st</sup> of each year and terminating on  
10 December 31<sup>st</sup>.

## 11 LIABILITY OF TRUSTEES

12 The Trustees shall use ordinary care and reasonable diligence in the exercise of their power and  
13 in the performance of their duties. They shall not be liable for any mistake of judgment or other  
14 action made, taken, or omitted by them in good faith; nor for any action taken or omitted by any  
15 agent, employee, or attorney selected with reasonable care; nor for the loss incurred through  
16 investment of Trust money or failure to invest. No Trustee shall be liable for any action taken or  
17 omitted by any other Trustee. They shall not be required to give a bond or other security to  
18 guarantee the faithful performance of their duties.

## 19 RESIGNATION OF A TRUSTEE

20 Any Trustee may resign upon giving notification in writing to the Trust Administrator.

## 21 REMOVAL OF A TRUSTEE

22 Any Trustee, other than the ex-officio members of the Board of Trustees, may be removed at any  
23 time by a majority vote of the Trustees present at the meeting of the Board. In the event that the

1 ~~entity on whose~~ governing board the Trustee serves on ceases to participate in the Trust, the  
2 Trustee's ~~membership~~ term on the Board of Trustees shall terminate immediately. If a Trustee is  
3 not present at three (3) ~~Trustee~~ meetings during any term, the Trustee's ~~membership~~ term on the  
4 Board of Trustees shall terminate with the adjournment of the third meeting missed unless a  
5 majority of the Trustees present at the meeting vote to excuse the third absence. If such Trustee  
6 misses a fourth meeting during one term, the removal of the Trustee shall automatically become  
7 effective with the adjournment of the fourth meeting missed.

## 8 **APPOINTMENT OF SUCCESSOR TRUSTEES**

9 Upon the death, resignation, or removal of a Trustee or upon the Trustee becoming ineligible to  
10 serve, the Board of Trustees shall appoint a new Trustee to serve the remainder of the term.

## 11 **AUTHORITY AND DUTIES OF THE TRUSTEES**

12 The Board shall carry out the purposes and duties of the Trust including, but not limited to, the  
13 following:

- 14 1. Contract for services of investment management, financial consultants, attorneys,  
15 auditors, and such other persons as may be necessary to administer and accomplish the  
16 purposes of the Trust;  
17
- 18 2. Determine the compensation for all such agents and independent contractors;  
19
- 20 3. Obtain annually an audited report of the financial affairs of the Trust;  
21
- 22 4. Receive and hold all payments and contributions paid to it;  
23
- 24 5. Procure fidelity bonds for persons as required by the TSBA OPEB Trust Bylaws; and  
25
- 26 6. Carry out other activities as necessary for the management and operation of the Trust.

# TSBA OPEB Trust

Descriptor Term:  <b>Board of Trustees' Meetings</b>	Descriptor Code:  <b>1010</b>	Revised:  <b>10/21/20</b>
	Rescinds:  <b>1010</b>	Previous Issued:  <b>02/17/20</b>

## 1 **REGULAR MEETINGS OF TRUSTEES**

2 Regular meetings of the Board of Trustees shall be held biannually. Any item of business may be  
3 considered at a regular meeting. The time, date, and location of meetings of the Board shall be  
4 determined by the Board.

## 5 **SPECIAL MEETINGS OF TRUSTEES**

6 Special meetings of the Board of Trustees may be called at any time by the Chairman or by any  
7 four (4) of the Trustees. An emergency meeting may be called with less than ten (10) days  
8 written notice provided that all Trustees agree to such a meeting. An agenda specifying the  
9 subject of any special meeting shall accompany such notice, and only business included on that  
10 agenda may be transacted.

## 11 **NOTICE OF MEETINGS**

12 The **Trust** Administrator shall publish any schedule or notice of meeting of the Board **as** required  
13 by law.<sup>1</sup> Such publication requirement shall be deemed met by announcement on the TSBA  
14 website.

## 15 **REQUIRED VOTE**

16 Any action by the Trustees shall be taken at a duly constituted meeting. A majority of the  
17 Trustees present at a duly constituted meeting shall be required for action.

## 18 **OPEN MEETINGS**

19 All meetings of the Board of Trustees will be held in accordance with the Tennessee Open  
20 Meetings Act.<sup>2</sup>

## 21 **ELECTRONIC ATTENDANCE<sup>3</sup>**

22 Absent Trustees may participate in a regular or special meeting by electronic means of  
23 communication. The following requirements apply to all electronic attendance:

- 1       1. A quorum of the Board shall be physically present at the meeting in order for any Trustee  
2       to attend electronically;
- 3
- 4       2. The responsibility for the connection lies with the Trustee wishing to participate  
5       electronically. No more than two (2) attempts to connect shall be made unless the Board  
6       chooses to make additional attempts;
- 7
- 8       3. The Trustee wishing to participate shall give the Chairman or the Trust Administrator at  
9       least five (5) days' notice prior to the meeting of the Trustee's desire to participate  
10      electronically; and
- 11
- 12      4. All votes taken during a meeting where a Trustee is attending electronically shall be by  
13      roll call vote.

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Legal References

1. TCA 8-44-103
2. TCA 8-44-101 *et seq.*
3. TCA 8-44-108

# TSBA OPEB Trust

Descriptor Term:  <b>Investment</b>	Descriptor Code:  <b>3060</b>	Revised:  <b>10/21/20</b>
	Rescinds:  <b>3060</b>	Previous Issued:  <b>02/12/18</b>

## 1 OBJECTIVES AND PERFORMANCE GOALS

2 The Trust's overall investment objective is to achieve a favorable total rate of return consistent  
3 with prudent financial management. The goal is to meet stated financial needs of the Trust while  
4 maintaining or increasing the real inflation adjusted value of the permanent funds for which the  
5 Trust has been entrusted.

6 The performance of the Trust's financial assets and its investment managers will be monitored  
7 on a quarterly basis. Portfolio asset allocation shall be reviewed at least annually. Individual  
8 managers will be expected to exceed the performance of relevant market index benchmarks over  
9 full market cycles. Risk-adjusted performance will also be measured against a peer group of  
10 similar managers and evaluated over three (3) and five (5) year annualized time periods.

## 11 BOARD OF TRUSTEES

12 The Board of Trustees is responsible for overseeing the investments assets of the Trust and for  
13 discharging its duties solely in the best interest of the Trust. These duties shall be discharged  
14 with the care, skill, prudence, and diligence under the circumstances then prevailing that a  
15 prudent man acting in a like capacity and familiar with such matters would use in the conduct of  
16 an enterprise of a like character and with like aims. In addition, the Board of Trustees will  
17 conduct a thorough review of any person or entity providing investment services to the Trust to  
18 avoid any potential conflict of interest situations.

## 19 FINANCE COMMITTEE

20 The Board of Trustees will act as the Finance Committee. The duties of the Finance Committee  
21 include, but are not limited to, the following:

- 22 1. Evaluating and selecting an investment consultant;  
23
- 24 2. Developing investment objectives and performance measurement standards which are  
25 consistent with the financial needs of the Trust and individual funds;

- 1 3. Periodically reviewing the policy guidelines, and if needed, making changes after  
2 consideration of the advice and recommendations of the investment consultant and  
3 others;  
4
- 5 4. Determining an asset allocation strategy and investment management structure  
6 designed to meet the Trust's investment objectives;  
7
- 8 5. Evaluating and selecting investment managers;  
9
- 10 6. Communicating investment objectives, portfolio guidelines, and performance  
11 standards to the investment managers;  
12
- 13 7. Holding biannual meetings for the review of performance reports and financial  
14 statements and informational conference calls as needed;  
15
- 16 8. Deploying existing assets and newly contributed funds to the investment managers;  
17
- 18 9. Reviewing and evaluating investment results in the context of predetermined  
19 performance standards;  
20
- 21 10. Ensuring that investment managers are in compliance with all portfolio guidelines  
22 and restrictions and that undo risk is not being undertaken to achieve objectives;  
23
- 24 11. Taking necessary corrective action when investment managers fail to achieve  
25 expected results; and  
26
- 27 12. Engage in RFP process for all contracted services every three (3) years.

## 28 CUSTODIAN

29 Subject to approval by the Board of Trustees, the Finance Committee is authorized to hire a  
30 custodian to safekeep the Trust's assets. The duties of the custodian include, but are not limited  
31 to, the following:

- 32 1. Providing all normal custodial functions including security safekeeping, collection of  
33 income, settlement of trades, collection of proceeds of maturing securities,  
34 distribution of income, and daily investment of uninvested cash;  
35
- 36 2. Providing reports detailing investment holdings and account transitions monthly and

1 an annual report summarizing the following to be submitted to the Finance  
2 Committee within forty-five (45) days following each fiscal year end;

3  
4 a. The reports will include the following:

- 5 1. Statement of all assets on hand;
- 6 2. Statement of all assets received representing contributions to the  
7 account; and
- 8 3. Statement of all sales, redemptions, maturities, and principal  
9 payments;

10  
11  
12 3. Establishing and maintaining directed account relationships with each investment  
13 manager; and

14  
15 4. Preparing accounting reports as requested.

## 16 **INVESTMENT MANAGEMENT**

17 The Board of Trustees is authorized to engage the services of investment managers, as defined  
18 under the Investment Advisors Act of 1940, and other investment professionals to provide the  
19 specialized management necessary to meet the Trust's investment objectives and guidelines.  
20 Accordingly, the Board of Trustees requires the investment managers to adhere to the "prudent  
21 man rule" under such state laws<sup>1</sup> as may be applicable or which may be applicable in the future  
22 of the investment of Trust assets.

## 23 **DELEGATION OF AUTHORITY**

24 Investment managers retained by the Board of Trustees will be held responsible for making all  
25 investment decisions regarding the assets under their direction. Each investment manager will be  
26 provided with a copy of these investment policy objectives and guidelines. In addition, each  
27 manager will be provided with any additional specific goals and objectives that are applicable to  
28 the particular managed account that the manager is responsible for. Managers will be required to  
29 observe and operate within all guidelines specified by the Trust.

## 30 **CAPITAL REQUIREMENTS**

31 The Board of Trustees is directed to maintain an Operating Reserve balance which may be  
32 custodied in one or more accounts and must maintain a balance that is appropriate to meet the  
33 annual distribution needs of the Trust. Such funds may only be invested in insured money market  
34 instruments or in investments whose principal is guaranteed by the full faith and credit of the

1 United States Government or one of its agencies. Irrespective of the type of investment selected,  
 2 funds may not be invested in any security with a maturity greater than one (1) year. The Board of  
 3 Trustees is permitted to maintain all Trust funds in Operating Reserve investments until the Trust  
 4 fund balance reaches a level where it is both economically prudent and fiscally appropriate to  
 5 invest funds.

6  
 7 The Board of Trustees may establish an account or accounts whose balances are restricted to a  
 8 particular use or program. Such accounts may be invested according to the guidelines established  
 9 in this policy or restricted to more conservative allocations pursuant to the timing of the need for  
 10 the funds. Restricted fund balances may be expended at the direction of the Board of Trustees so  
 11 long as such direction is not in conflict with agreements or restrictions attached to the receipt of  
 12 such funds.

13  
 14 All remaining funds owned or controlled by the Board of Trustees shall be considered Capital  
 15 Reserves. At the end of each operating year, any and all reserves held in accounts designed as  
 16 Operating Reserves which are in excess of the required balance for the upcoming operating year  
 17 shall be reallocated to the Capital Reserves account or accounts. All funds held in Capital  
 18 Reserve accounts shall be invested pursuant to the guidelines established in this policy.

## 19 INVESTMENT GUIDELINES

20 The Trust's investment policy objectives and guidelines will be reviewed and revised as needed  
 21 from time to time by the Finance Committee. In conducting the review, the committee will  
 22 consider applicable advice and recommendations of the Trust's attorneys, accountants,  
 23 investment managers, consultants, or other professionals retained to render advice to the Trust.  
 24 All modifications shall be in writing and shall be approved by the Board of Trustees.

## 25 ASSET ALLOCATION

26 The Trust's investment philosophy is that assets should be allocated with the goal of producing  
 27 the highest total return consistent with prudent financial management. Unless otherwise specified  
 28 by individual fund objectives, this philosophy should be adhered to within the constraints  
 29 of the following asset allocation ranges:

30	<u>Maximum allocation</u>	<u>Minimum allocation</u>
31 Equity Investments	70%	35%
32 Fixed Income Investments	65%	20%
33 Cash & Equivalent	35%	0%

1	Alternative Investments – 40 Act Funds	15%	0%
2	Hedging Strategies		
3	Commodities ETF's		
4	Managed Futures Funds		

5 In cases where individual fund objectives require an exception to the above asset allocation  
6 ranges, written statements detailing the reasoning for each specific fund will be provided as  
7 supplements to this Investment Policy.

8 From time to time, the Finance Committee will determine specific asset allocation targets that it  
9 feels are best suited for accomplishing the above total return objective. These specific asset  
10 allocation targets will be communicated to individual investment managers in writing, and within  
11 a reasonable time frame, managers are expected to reallocate assets in order to comply with the  
12 target ranges established by the Committee. In the absence of specific asset allocation targets  
13 from the Trust, individual managers will have the direct responsibility for settling and  
14 maintaining an asset mix that they feel will best accomplish the Trust's total return objective. At  
15 all times and in all cases, the above maximum and minimum limits or specific individual fund  
16 maximum and minimum limits, where applicable, are to be adhered to.

## 17 **PROXY VOTING**

18 The Board of Trustees recognizes that proxy voting is a fiduciary responsibility and requires that  
19 proxies be voted based on those factors which would enhance the value of the Trust's  
20 investments. The Board of Trustees delegates their authority to vote proxies to the investment  
21 managers employed by the Trust and instructs the managers to maintain accurate voting records  
22 and to vote proxies for the exclusive benefit of the Trust.

## 23 **TYPES OF ASSETS**

24 In order to provide for adequate investment diversification across a broad range of assets, the  
25 following types of assets are approved for investment:

- 26 U.S. Common Stock
- 27 Non U.S. Common Stock
- 28 U.S. Preferred Stock
- 29 Non U.S. Preferred Stock
- 30 U.S. Government and Agency Securities
- 31 Non U.S. Government and Agency Securities
- 32 Corporate Bonds with a minimum BAA rating or the equivalent Municipal Debt

- 1 Convertible Securities
- 2 Commercial Paper
- 3 Money Market Funds
- 4 Mutual Funds (open and closed-end)
- 5 Exchange Traded Funds
- 6 Passive Index Funds
- 7 Commodities Exchange Traded Funds
- 8 1940 Act Alternative Funds – Hedging Strategies
- 9 1940 Act Managed Futures Funds
- 10 Certificate of Deposits

11 *Additional Criteria*

- 12 All fixed income and preferred stock issues shall be investment grade and dollar denominated.  
13 Mutual fund investment shall have investment objectives, rules, and regulations that are  
14 consistent with the Trust's Investment Policy. All assets selected for the Trust shall have a  
15 readily ascertainable market value and be readily marketable.

16 *Prohibited Investments*

- 17 Investment managers are prohibited from using the following assets and/or transactions:

- 18 Uncovered Options – Puts or Calls
- 19 Short Selling
- 20 Restricted Stock
- 21 Other Derivative Securities not specifically approved above

22 **CASH & CASH EQUIVALENTS**

- 23 All cash, wherever and whenever possible, should be invested in interest bearing instruments.  
24 These investments should have stable pricing and instant liquidity.

25 **INVESTMENT MARKETS – EQUITY SECURITIES**

- 26 In order to broaden the investment opportunities for the investment manager(s) to achieve  
27 specific objectives, the managers are permitted to invest in equity securities listed on the New  
28 York Stock Exchange, the American Stock Exchange, principal regional exchanges, and in over-  
29 the-counter securities for which there is a strong market providing ready liquidity of the specific  
30 security.

1 The Board of Trustees believes it is necessary and desirable that equity securities held by the  
2 Trust represent a diversified portfolio. In this regard, the Finance Committee and Investment  
3 Consultant will select and continue to monitor equity investment managers that have  
4 diversification and risk management strategies that are consistent with this focus.

## 5 **INVESTMENT MARKETS – FIXED INCOME SECURITIES**

6 In order to broaden the investment opportunities for the investment manager(s) to achieve  
7 specific objectives, the managers are permitted to invest in fixed income issues offered in both  
8 primary and secondary markets. Fixed income securities may include bonds, notes, and pass-  
9 through securities issued or guaranteed by the U.S. Government or its agencies, corporate bonds,  
10 notes, debentures, or asset-backed securities. Should the rating on a debt or preferred stock  
11 security purchased subsequently fall below the minimum BAA (or equivalent) rating, a sale of  
12 the issue shall be required except as warranted by investment considerations.

13 The Board of Trustees believes it is necessary and desirable that fixed income securities held by  
14 the Trust represent a diversified portfolio. In this regard, the Finance Committee and Investment  
15 Consultant will select and continue to monitor fixed income investment managers that have  
16 diversification and risk management strategies that are consistent with this focus.

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### Legal References

1. TCA 35-14-101 *et seq.*

## Custom Report

Prepared on January 28, 2022 for:  
**TSBA OPEB TRUST**

TAMMY GRISSOM TTEE  
TSBA OPEB TRUST U/T/A DTD  
11/05/2012  
525 BRICK CHURCH PARK DRIVE  
NASHVILLE TN 37207-3219

### The Cap IV Group

#### Christopher Sigmund

Financial Advisor  
Certified Investment Management Analyst (SM)  
Tel: +1 615 298-6557  
Chris.Sigmund@morganstanley.com

#### Lee Burklow

Financial Advisor  
Senior Vice President  
Tel: +1 615 298-6556  
Lee.Burklow@morganstanley.com

#### Shelly Patterson

Senior Registered Associate  
Tel: +1 615 298-6559  
Shelly.Patterson@morganstanley.com

#### Christopher Long

Portfolio Associate  
Tel: +1 615 269-2455  
Chris.Long@morganstanley.com

#### Your Branch:

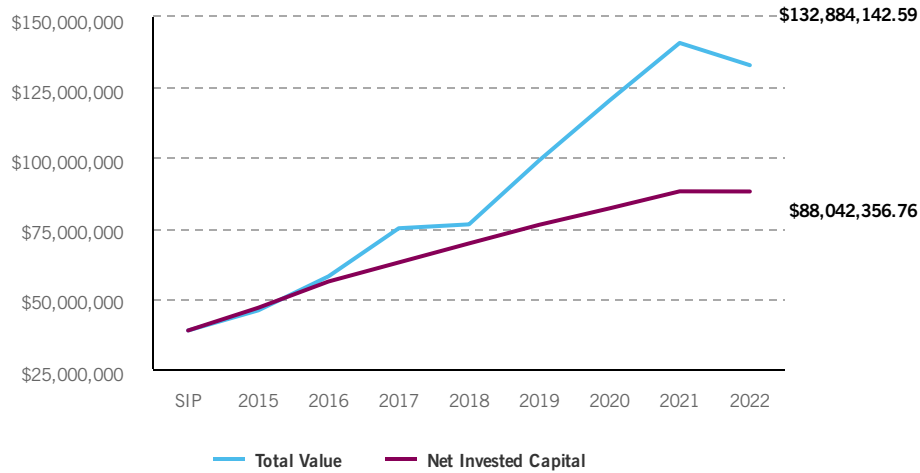
3102 WEST END AVE STE 200  
NASHVILLE, TN 37203

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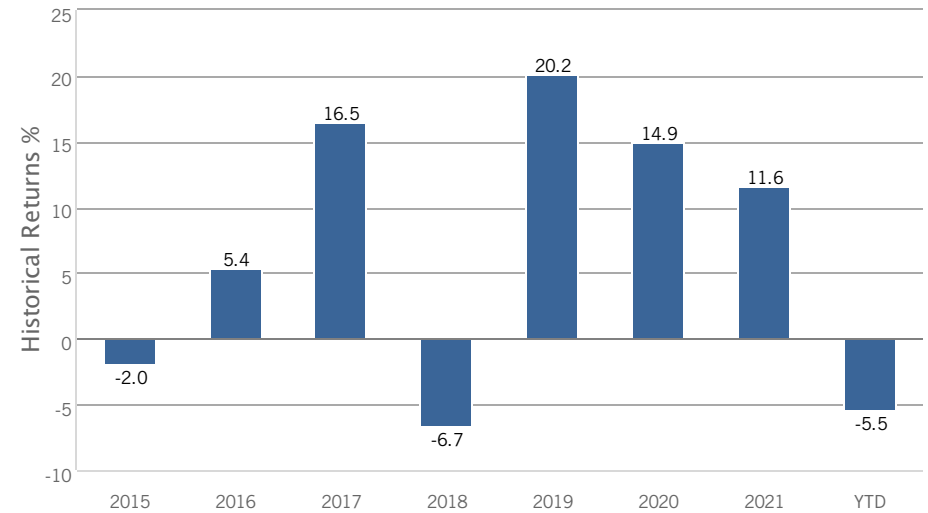
Please review the disclosures and definitions throughout this Document.  
 Various sub-sections of this Document may not contain information on all accounts/positions covered in this Document

## TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

## DOLLAR-WEIGHTED PERIOD RETURN % (NET OF FEES)

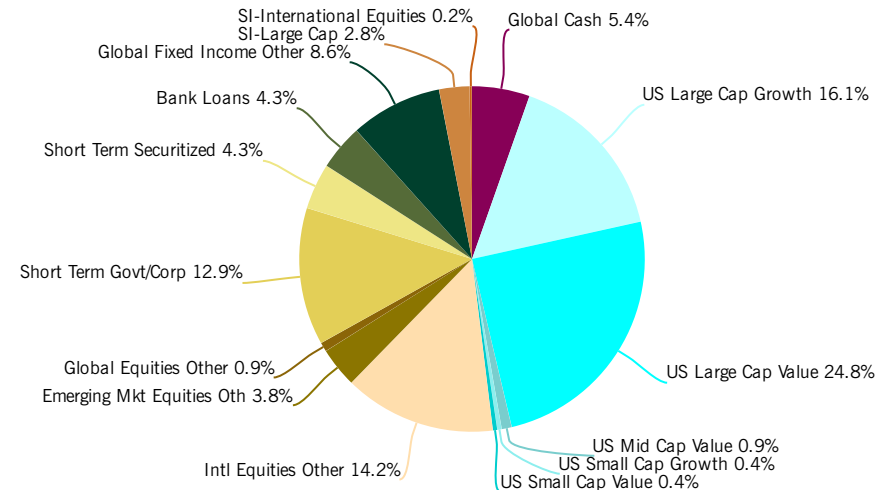


Does not include Performance Ineligible Assets.

## DOLLAR-WEIGHTED RETURN % (NET OF FEES)

	Year to Date (\$) 12/31/21-01/27/22	Previous Year (\$) 12/31/20-12/31/21	Performance Inception (\$) 06/09/15-01/27/22
<b>Beginning Total Value</b>	140,794,592	120,311,869	38,680,482
Net Contributions/Withdrawals	-48,891	6,054,330	49,361,875
Investment Earnings	-7,861,558	14,428,393	44,841,786
<b>Ending Total Value</b>	<b>132,884,143</b>	<b>140,794,592</b>	<b>132,884,143</b>
<b>DOLLAR WEIGHTED RATE OF RETURN (%)</b> (Annualized for periods over 12 months)			
Return % (Net of Fees)	-5.58	11.68	8.13
CPI	-	7.04	-

## ASSET ALLOCATION



The investment returns shown on this page are dollar-weighted measurements which are affected by the timing and amount of your contributions and withdrawals.

## Investment Policy Range

**General Policy:** The Trust's investment philosophy is that assets should be allocated with the goal of producing the highest total return consistent with prudent financial management. Unless otherwise specified by individual fund objectives, this philosophy should be adhered to within the constraints of the following asset allocation ranges:

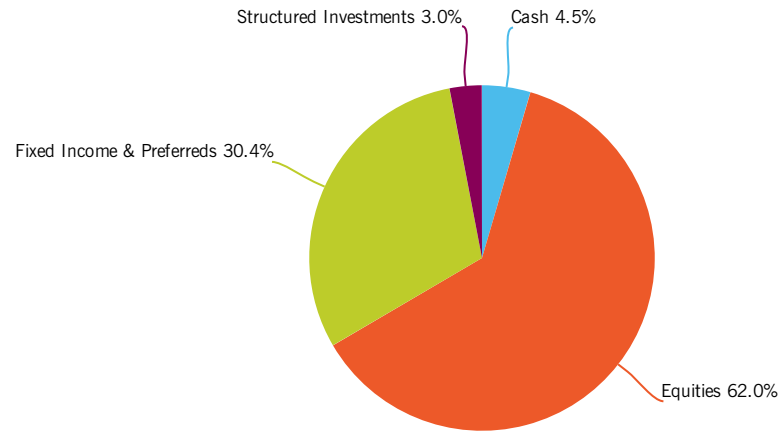
	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity Investments	70%	35%
Fixed Income Investments	65%	20%
Cash & Equivalents	35%	0%
Alternative Investments – 40 Act Funds	15%	0%
Hedging Strategies		
Commodities ETF's		
Managed Futures Funds		

**Exceptions for Individual Funds:** In cases where individual fund objectives require an exception to the above asset allocation ranges, written statements detailing the policy for each specific fund will be provided as Supplements to this Investment Policy.

**Asset Allocation Targets:** From time to time the Finance Committee will determine specific asset allocation targets that it feels are best suited for accomplishing the above total return objective. These specific asset allocation targets will be communicated to individual investment managers in writing, and within a reasonable time frame, managers are expected to reallocate assets in order to comply with the target ranges established by the Committee. In the absence of specific asset allocation targets from the Trust, individual managers will have the direct responsibility for setting and maintaining an asset mix that they feel will best accomplish the Trust's total return objective. At all times, and in all cases, however, the above maximum and minimum limits, or where applicable, specific individual fund maximum and minimum limits, are to be adhered to.

The information in this report is based on data supplied by you and is intended to be used as a guide for your financial strategy. The information and data were obtained from sources deemed reliable. Their accuracy or completeness is not guaranteed and is subject to change with current market conditions. There is no guarantee that the figures presented will be attainable in the future. Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not offer tax advice. Individuals should consult their personal tax advisor before many any tax-related investment decisions.

ASSET ALLOCATION - ASSET CLASS



ASSET ALLOCATION

	Total Value (\$) 12/31/2021	% of Portfolio 12/31/2021
Cash	6,386,827.77	4.5
Equities	87,257,359.29	62.0
Fixed Income & Preferreds	42,798,933.28	30.4
Structured Investments	4,239,976.66	3.0
<b>TOTAL PORTFOLIO</b>	<b>140,683,097.00</b>	<b>100.0</b>

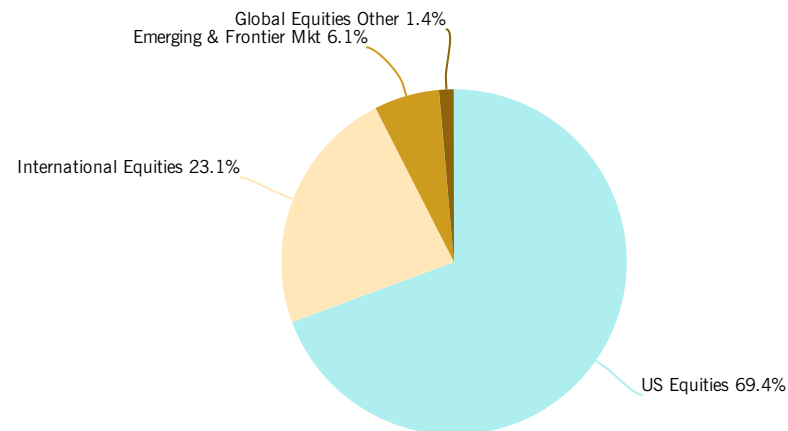
TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## TOP EQUITY POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 01/27/2022	% of Equities 01/27/2022
PGIM JENNISON GROWTH Z	10,017,404.36	12.3
ISHARES CORE S&P U.S. GROWTH	8,863,177.20	10.8
ISHARES CORE S&P U.S. VALUE	7,622,448.60	9.3
ISHARES CORE MSCI EAFE ETF	7,614,527.47	9.3
BLACKROCK HIGH EQ INCOME INST	7,606,250.94	9.3
OAKMARK FUND INSTITUTIONAL	7,580,806.51	9.3
JOHN HANCOCK DISPLND VAL INST	7,572,370.05	9.3
AMERICAN EUROPACIFIC GRW F2	6,265,527.98	7.7
VANGUARD INDEX FDS S&P 500 ETF	5,075,712.00	6.2
THORNBURG INTL GROWTH I	5,033,740.30	6.2
<b>Top Equity Positions</b>	<b>73,251,965.41</b>	<b>89.6</b>
<b>Other Equity Positions</b>	<b>8,489,141.40</b>	<b>10.4</b>
<b>Total Equities</b>	<b>81,741,106.81</b>	<b>100.0</b>

## ASSET ALLOCATION - EQUITIES



## ASSET ALLOCATION - EQUITIES

	% of Equities 01/27/2022	Total Value (\$) 01/27/2022	% of Portfolio 01/27/2022
<b>US Equities</b>	<b>69.4</b>	<b>56,691,126.54</b>	<b>42.7</b>
US Large Cap Growth	26.2	21,418,437.56	16.1
US Large Cap Value	40.3	32,919,732.10	24.8
US Mid Cap Value	1.5	1,257,186.66	0.9
US Small Cap Growth	0.7	547,885.11	0.4
US Small Cap Value	0.7	547,885.11	0.4
<b>International Equities</b>	<b>23.1</b>	<b>18,913,795.75</b>	<b>14.2</b>
Intl Equities Other	23.1	18,913,795.75	14.2
<b>Emerging &amp; Frontier Mkt</b>	<b>6.1</b>	<b>4,992,808.58</b>	<b>3.8</b>
Emerging Mkt Equities Oth	6.1	4,992,808.58	3.8
<b>Global Equities Other</b>	<b>1.4</b>	<b>1,143,375.94</b>	<b>0.9</b>
Global Equities Other	1.4	1,143,375.94	0.9

TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## ASSET ALLOCATION - EQUITIES (Continued)

	% of Equities 01/27/2022	Total Value (\$) 01/27/2022	% of Portfolio 01/27/2022
<b>TOTAL EQUITIES</b>	<b>100.0</b>	<b>81,741,106.81</b>	<b>61.5</b>

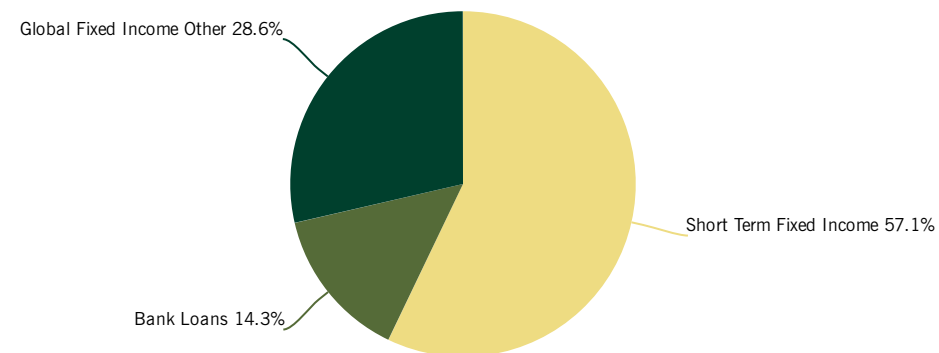
TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## TOP FIXED INCOME &amp; PREFERRED POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 01/27/2022	% of Fixed Income & Preferreds 01/27/2022
PGIM SHORT-TERM CORP BOND Z	22,780,443.71	57.1
PERFORMANCE TRUST STRAT BD I	11,411,847.31	28.6
PUTNAM FLOATING RATE INC Y	5,693,159.54	14.3
<b>Top Fixed Income &amp; Preferred Positions</b>	<b>39,885,450.56</b>	<b>100.0</b>
<b>Other Fixed Income &amp; Preferred Positions</b>	-	-
<b>Total Fixed Income &amp; Preferred</b>	<b>39,885,450.56</b>	<b>100.0</b>

## ASSET ALLOCATION - FIXED INCOME &amp; PREFERRED



## ASSET ALLOCATION - FIXED INCOME &amp; PREFERREDS

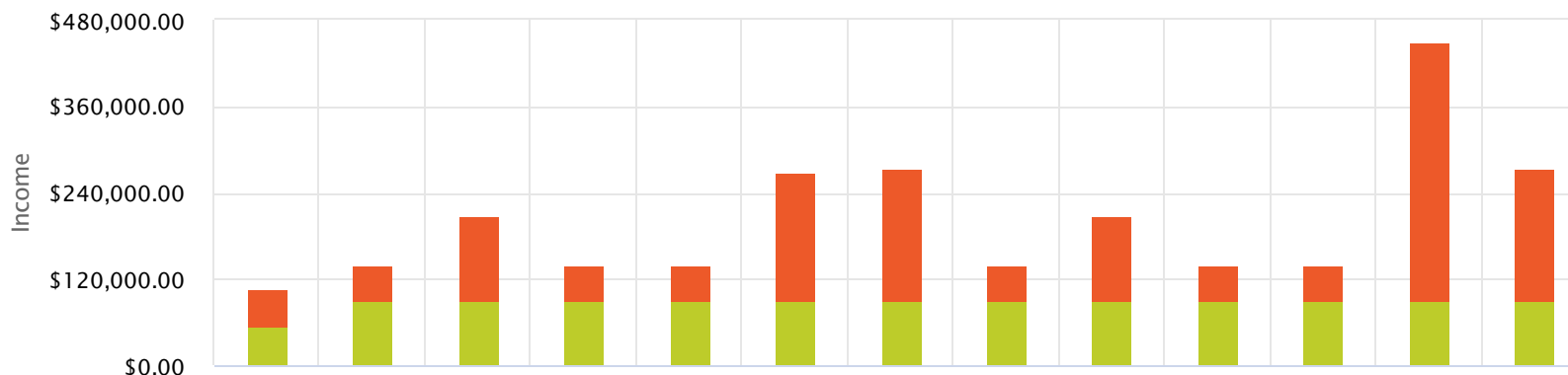
	% of Fixed Income & Preferreds 01/27/2022	Total Value (\$) 01/27/2022	% of Portfolio 01/27/2022
Short Term Fixed Income	57.1	22,780,443.71	17.1
Bank Loans	14.3	5,693,159.54	4.3
Global Fixed Income Other	28.6	11,411,847.31	8.6
<b>TOTAL FIXED INCOME &amp; PREFERREDS</b>	<b>100.0</b>	<b>39,885,450.56</b>	<b>30.0</b>

# PROJECTED 12 MONTH INCOME SUMMARY

TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## 12 MONTH INCOME SUMMARY

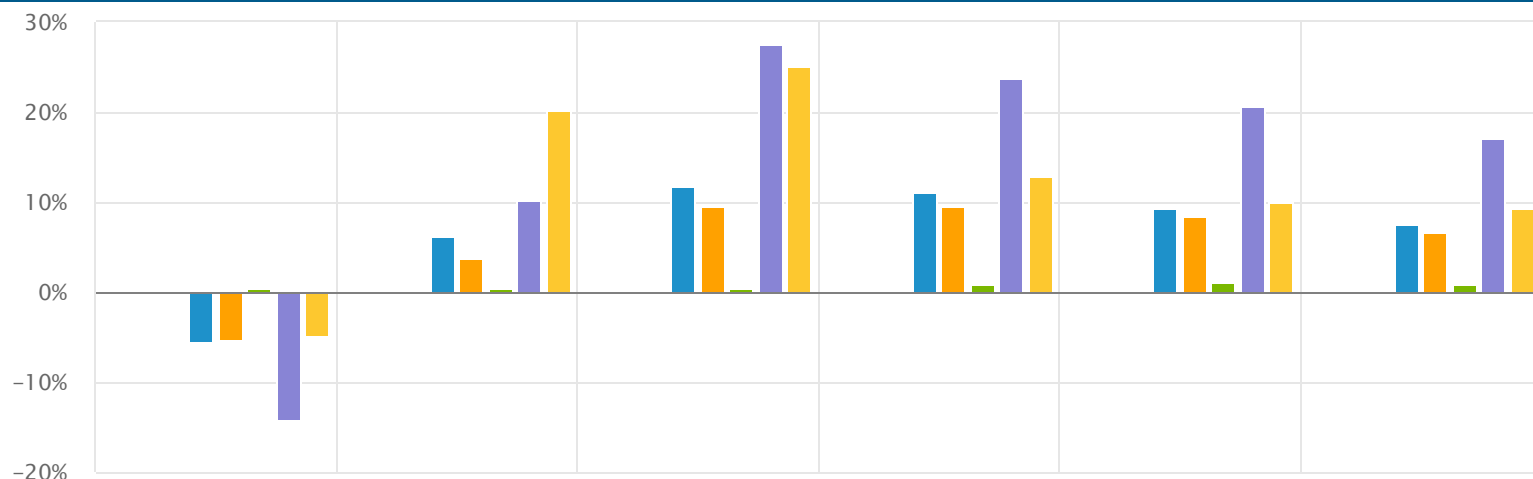


Asset Class	Total Value (\$) 01/27/2022	01/28/22 to 01/31/22 (\$)	Projected Income (\$) (02/01/22 - 01/31/23)												Total	% Yield
			Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		
Cash	7,196,632	53	53	53	53	53	53	53	53	53	53	53	53	53	633	0.01
Equities	81,741,107	50,337	49,749	119,518	49,749	49,749	179,592	183,846	49,749	119,518	49,749	49,749	360,587	183,846	1,445,988	1.77
Fixed Income & Preferreds	39,885,451	55,706	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	1,076,160	2.70
Structured Investments	4,061,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>132,884,190</b>	<b>106,095</b>	<b>139,482</b>	<b>209,251</b>	<b>139,482</b>	<b>139,482</b>	<b>269,325</b>	<b>273,579</b>	<b>139,482</b>	<b>209,251</b>	<b>139,482</b>	<b>139,482</b>	<b>450,320</b>	<b>273,579</b>	<b>2,522,781</b>	<b>1.90</b>

Projected Income is calculated only for holdings where data is available.

In instances whereby payment frequency and/or last payment date is not available, income is based on the current dividend or coupon rate, and will be displayed in the Total column only.

## RETURN % (NET OF FEES) VS. BENCHMARKS (ANNUALIZED)



	Quarter to Date 12/31/21 - 01/27/22	Last 12 Months 01/31/21 - 01/27/22	Previous Year 12/31/20 - 12/31/21	Last 3 Years 01/31/19 - 01/27/22	Last 5 Years 01/31/17 - 01/27/22	Performance Inception 06/09/15 - 01/27/22
Beginning Total Value (\$)	140,794,592.31	119,793,451.15	120,311,869.44	81,251,100.95	59,145,642.37	38,680,482.15
Net Contributions/Withdrawals (\$)	-48,891.36	5,900,266.01	6,054,329.97	18,482,893.04	31,794,649.64	49,361,874.61
Investment Earnings (\$)	-7,861,558.36	7,190,425.43	14,428,392.90	33,150,148.60	41,943,850.57	44,841,785.82
Ending Total Value (\$)	132,884,142.59	132,884,142.59	140,794,592.31	132,884,142.59	132,884,142.59	132,884,142.59
Return % (Net of Fees)	-5.59	6.14	11.84	11.01	9.28	7.63
TN TSBA Composite (%)	-5.37	3.86	9.60	9.57	8.43	6.59
FTSE T-Bills 30 Day (%)	0.00	0.04	0.04	0.83	1.06	0.83
Russell 1000 Gr (%)	-14.26	10.22	27.60	23.87	20.77	17.20
Russell 1000 Value (%)	-4.82	20.23	25.16	12.92	9.94	9.44
Barclays Aggregate (%)	-2.20	-3.01	-1.54	3.67	3.08	2.86

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## POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## RETURN % (GROSS OF FEES) (ANNUALIZED)

Product/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/21 - 01/27/22	Previous Year (%) 12/31/20 - 12/31/21	Last 3 Years (%) 01/31/19 - 01/27/22	Since Inception (%)	% of Portfolio
<b>Total Portfolio (Gross of Fees)</b>		<b>06/09/2015</b>	<b>132,884,142.59</b>	<b>-5.57</b>	<b>12.03</b>	<b>11.19</b>	<b>7.81</b>	<b>100.00</b>
<i>TN TSBA Composite</i>				<b>-5.37</b>	<b>9.60</b>	<b>9.57</b>	<b>6.59</b>	
<b>Stock / Options</b>								
BCS PLUS SPX 23JN05(SQDNQ)	Multiple	11/30/2020	1,183,026.00	-2.61	9.93	-	3.95	0.89
CS JUMP UKX 26JL23(SQFDE)	Multiple	07/20/2021	274,948.46	0.10	-	-	1.30	0.21
GS PLUS SPX 24FB05(SQFDJ)	Multiple	07/30/2021	1,252,993.80	-4.96	-	-	-4.86	0.94
GS PLUS SPX 24MY03(SQFSK)	Multiple	10/29/2021	1,350,031.87	-5.73	-	-	-7.03	1.02
<b>Exchange Traded/ Closed End Funds</b>								
ISHARES CORE MSCI EAFE ETF(IEFA)	Multiple	11/28/2018	7,614,527.47	-5.70	11.46	9.32	9.33	5.73
ISHARES CORE S&P U.S. GROWTH(IUSG)	Multiple	11/28/2018	8,863,177.20	-13.71	31.19	22.01	21.10	6.67
ISHARES CORE S&P U.S. VALUE(IUSV)	Multiple	11/28/2018	7,622,448.60	-4.25	25.23	13.67	12.91	5.74
NEUBERGER BERMAN NEXT GEN FUND(NBXG)	Multiple	05/26/2021	1,143,375.94	-17.97	-	-	-27.08	0.86
VANGUARD INDEX FDS S&P 500 ETF(VOO)	Multiple	02/22/2016	5,075,712.00	-9.17	28.78	18.74	16.39	3.82
<b>Mutual Funds</b>								
AMERICAN EUROPACIFIC GRW F2(AEPFX)	Multiple	07/14/2015	6,265,527.98	-10.13	2.94	10.75	6.48	4.72
BLACKROCK HIGH EQ INCOME INST(BMCIX)	Multiple	09/02/2015	7,606,250.94	-0.23	22.69	12.81	9.46	5.72
DWS SMALL CAP CORE S(SSLCX)	Multiple	02/20/2018	1,095,770.22	-12.68	41.15	15.18	11.18	0.82
JOHN HANCOCK DISPLND VAL INST(JVLIX)	Multiple	07/24/2018	7,572,370.04	-2.26	29.87	13.25	9.68	5.70
LAZARD EMERG MKTS CORE EQ I(ECEIX)	Multiple	07/07/2021	4,992,808.58	-4.11	-	-	-15.53	3.76
OAKMARK FUND INSTITUTIONAL(OANMX)	Multiple	07/12/2021	7,580,806.52	-3.33	-	-	2.17	5.70
PERFORMANCE TRUST STRAT BD I(PTIAX)	Multiple	01/26/2021	11,411,847.31	-1.74	-	-	-0.44	8.59

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals. Position level performance detail is only available since 12/31/2014.

## POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

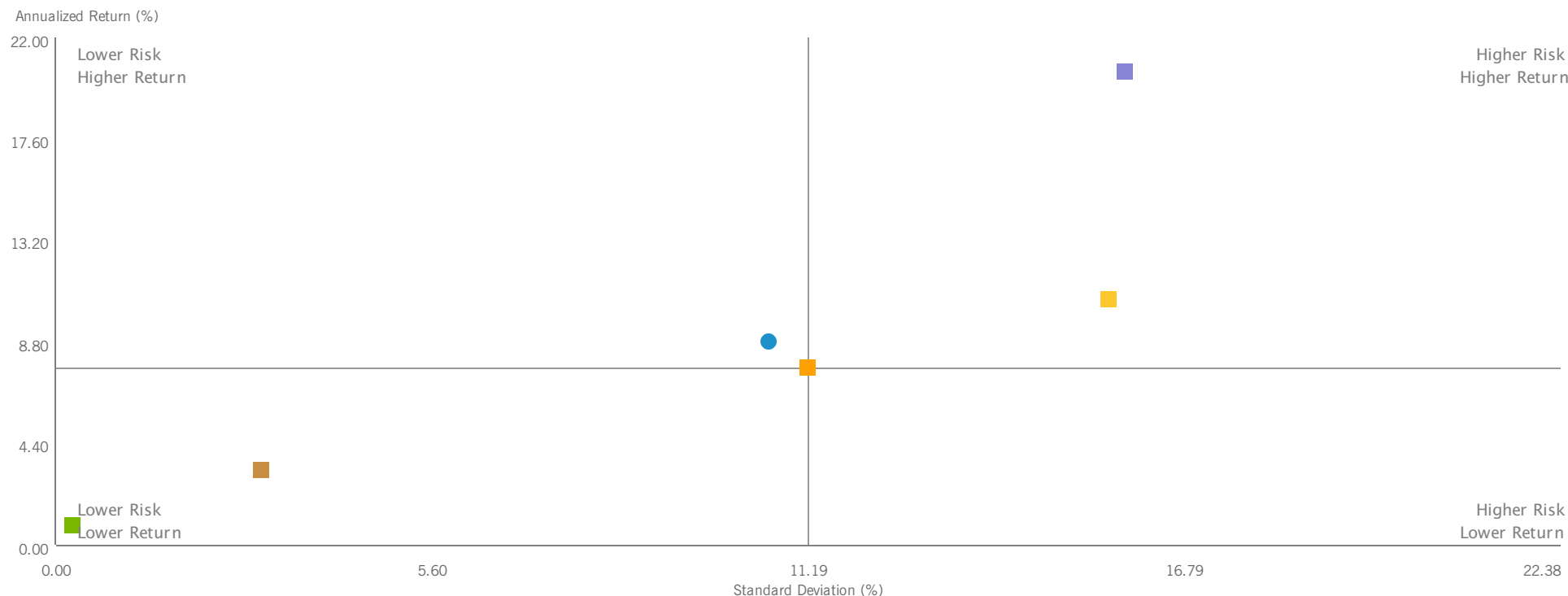
As of January 27, 2022 | Reporting Currency: USD

## RETURN % (GROSS OF FEES) (ANNUALIZED) (Continued)

Product/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/21 - 01/27/22	Previous Year (%) 12/31/20 - 12/31/21	Last 3 Years (%) 01/31/19 - 01/27/22	Since Inception (%)	% of Portfolio
PGIM JENNISON GROWTH Z(PJFZX)	Multiple	09/02/2015	10,017,404.38	-18.63	16.03	20.50	16.97	7.54
PGIM SHORT-TERM CORP BOND Z(PIFZX)	Multiple	09/02/2015	22,780,443.71	-1.43	-0.44	2.99	2.42	17.14
PUTNAM FLOATING RATE INC Y(PFRYX)	Multiple	05/03/2017	5,693,159.55	0.00	3.18	3.09	2.99	4.28
THORNBURG INTL GROWTH I(TINGX)	Multiple	09/02/2015	5,033,740.30	-12.07	-4.24	9.57	7.71	3.79
VICTORY RS VALUE Y(RSVYX)	Multiple	09/02/2015	1,257,186.68	-5.29	28.14	12.06	9.39	0.95
<b>Cash, MMF and Bank Deposits</b>								
BANK DEPOSIT PROGRAM(BDPS)	Multiple	06/18/2015	6,330,571.97	-	-	-	-	4.76
Cash(0000MONEY)	Multiple	06/17/2015	866,013.08	-	-	-	-	0.65

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RETURN % (NET OF FEES) AND VOLATILITY VS. BENCHMARKS



	Return % (Net of Fees) 06/30/15-12/31/21	Standard Deviation (%) 06/30/15-12/31/21
● Portfolio	8.82	10.60
■ TN TSBA Composite	7.71	11.19
■ FTSE T-Bills 30 Day	0.85	0.25
■ Russell 1000 Gr	20.50	15.90
■ Russell 1000 Value	10.62	15.66
■ Barclays Aggregate	3.25	3.06

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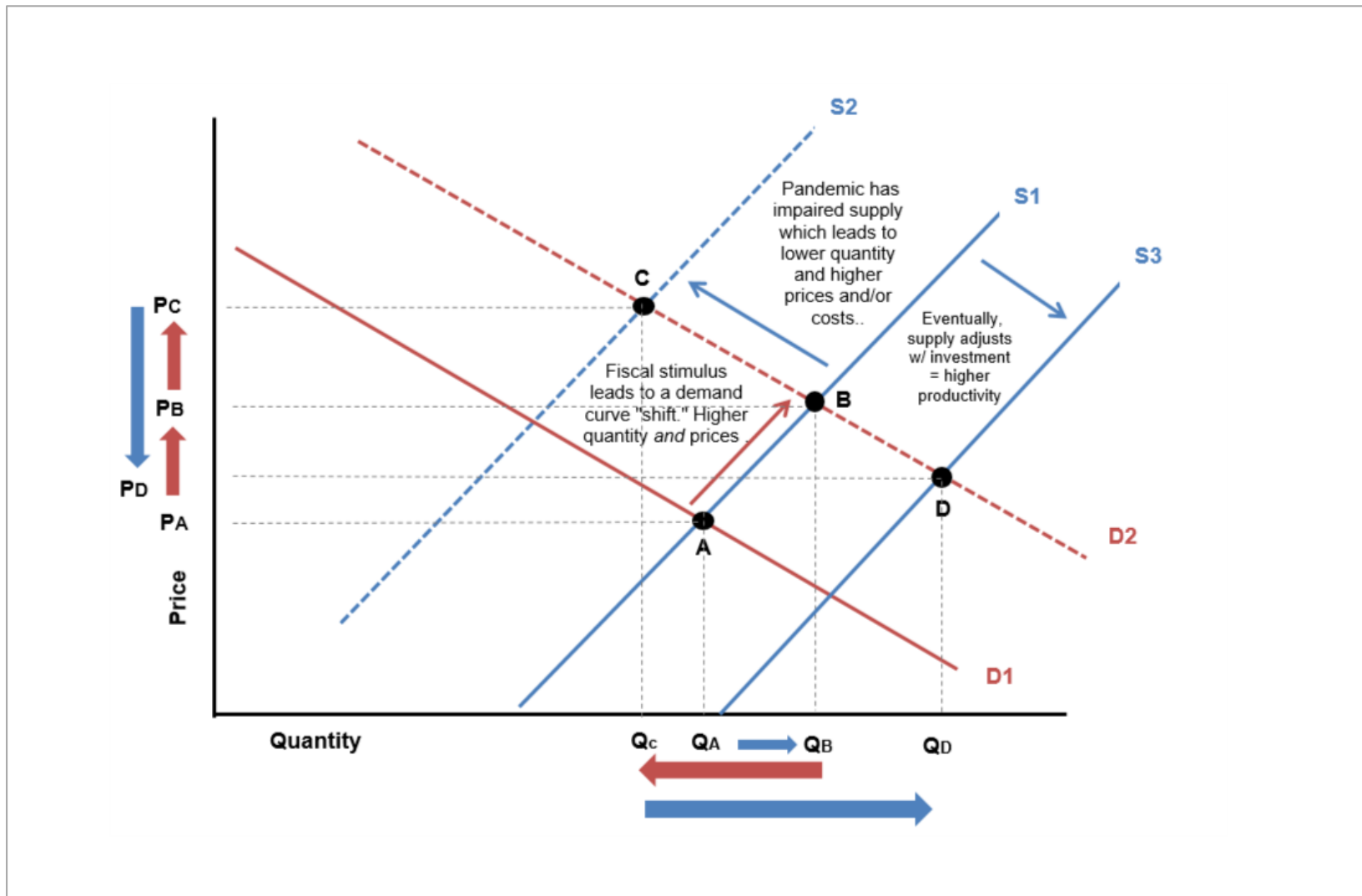
## Tighter Financial Conditions Should Provide Opportunities in 1H2022

- **Mid-Cycle Transition Has Further De-rating:** The mid-cycle transition has been well established at this point as well as the de-rating of asset prices. However, it remains incomplete, in our view, with another 15% decline in P/Es expected. Peak rate of change in policy and economic/earnings growth has typically coincided with more conservative investment and has ended with a broader equity market correction. This is the classic mid-cycle transition that has accompanied recoveries from recession. Think 1994, 2004, 2011. So far, we have experienced a rolling correction across many asset categories as the breadth of the equity market remains exceptionally weak. We expect the next and final stage of this rolling correction to end with a 10%-15% correction in the S&P 500 and Nasdaq.
- **Peaking Rates of Change Matter.** The peak rate of change in fiscal policy, Fed balance sheet, M2, economic and earnings growth we expected has arrived. We identify such peaks as the mid-cycle transition phase of the economic/market cycle. The lower-quality and more speculative parts of the financial markets have already underperformed, with many down 20%-50%.
- **The “Final Chapter” Likely Ends with Fire *and* Ice.** With the Fed indicating it will taper asset purchases on a more aggressive timeline, both real and nominal rates began to move higher along with the US dollar. This is a distinct tightening of financial conditions and has weighed on equity markets since November. We think there is still more downside to valuations from this “fire” and we expect growth to disappoint expectations—i.e., “ice.” PMIs and earnings revisions will be the key to how long and deep this correction lasts.
- **Upgrade to Quality and Value but with a More Defensive Skew.** The mid-cycle transition comes with a shift in equity market leadership. Higher-quality stocks tend to outperform. We downgraded small caps and early-cycle sectors in March while upgrading quality to reflect this view. We now favor a more defensive skew in what could be a greater slowdown than markets expect. Barbell it with small-cap value stocks.
- **Inflation Is the Key to the Secular Bull Market for Stocks and Secular Bear Market for Bonds.** The shift in policy from monetary to fiscal dominance is a significant change that has implications for our asset allocation recommendations. A US recession was always a necessary condition for this outcome and the health-crisis nature of this event further supported this regime shift. Finally, other inflationary trends were well established before the latest recession began—populism, nationalism, de-globalization, and a sign that the US dollar may either lose or have to share its reserve currency status. One party control of the US government tends to accelerate and implement these policy changes.
- **We Lowered Our Equity Allocations and Raised Our Bond Allocations in May and Again in September.** As both monetary and fiscal policy normalizes, we expect a broader equity market correction due to either tighter financial conditions, i.e., “fire,” or due to a more significant growth disappointment, i.e., “ice.” Despite this risk for near-term pullback in equities, we are still overweight on a 12-month basis. We also recommend owning some commodities and real estate as an inflation hedge. Avoid profitless growth stocks as valuations remain at risk from tightening financial conditions—i.e., the “Fire.” Be patient with new capital commitments and use pullbacks around peaking rates of change as buying opportunities for cyclicals, growth at a reasonable price, and international stocks.

Source: Morgan Stanley & Co. Research. M2 is a measure of the money supply that includes all elements of M1 as well as “near money.” M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds and other time deposits.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

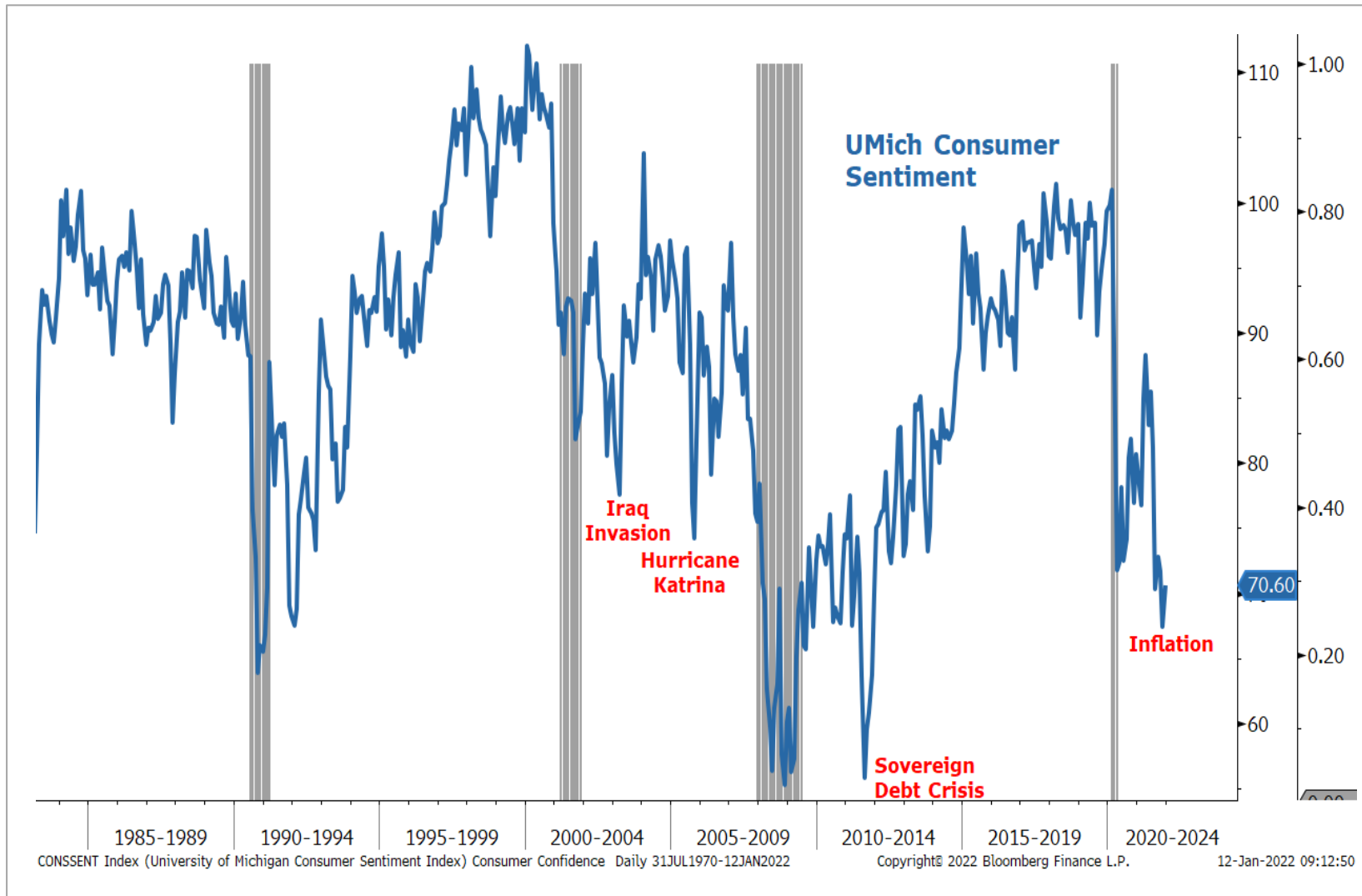
## Has COVID + the Policy Response Impaired the Economy in the Short Term?



Source: Morgan Stanley & Co. Research

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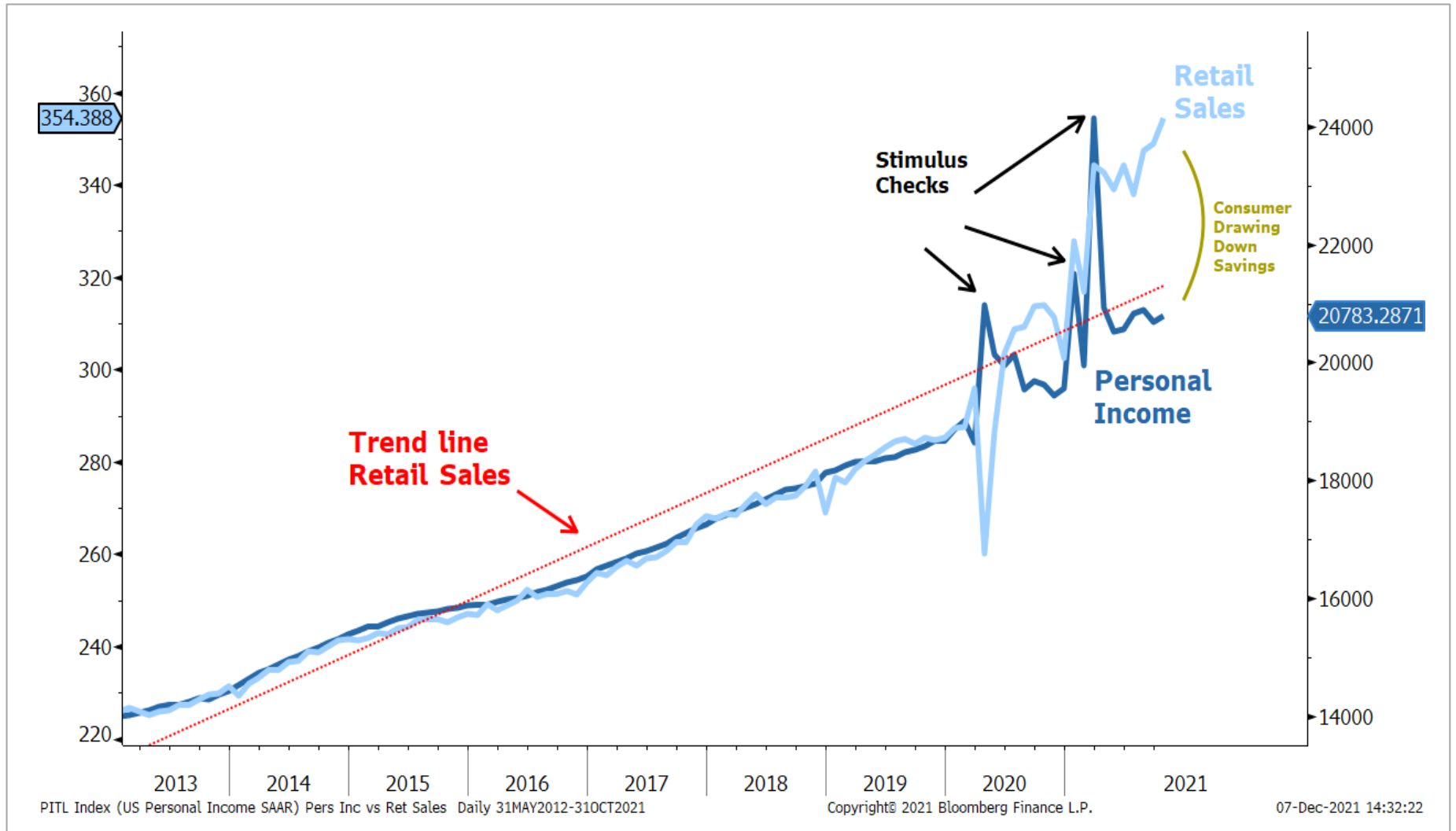
# Consumer Confidence Has Collapsed Due to Inflation ...



Source: Bloomberg, Morgan Stanley & Co. Research as of January 12, 2022

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

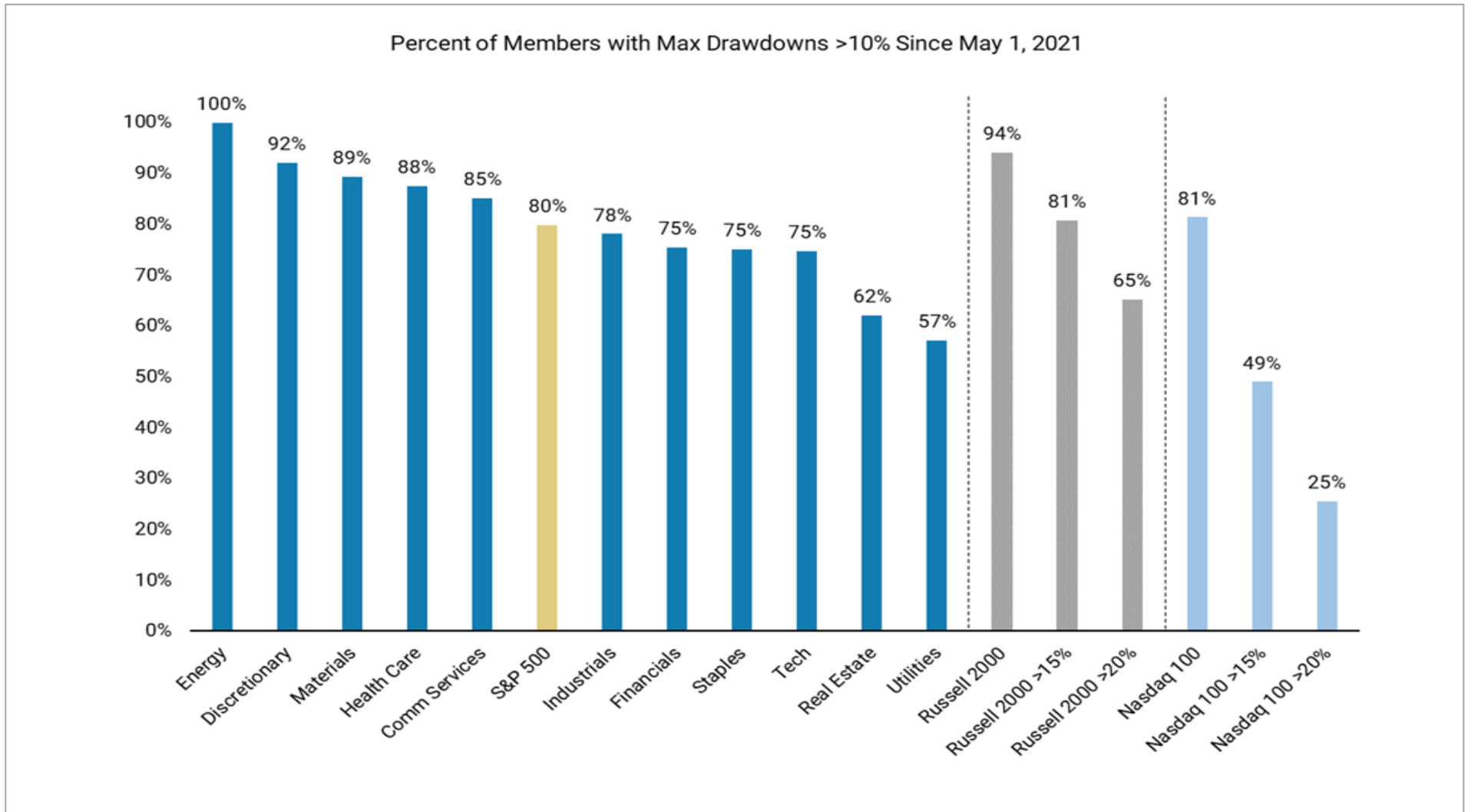
# The Good News: Consumer Has Savings to Tap Into—Will It Continue?



Source: Bloomberg, Morgan Stanley & Co. Research as of December 7, 2021

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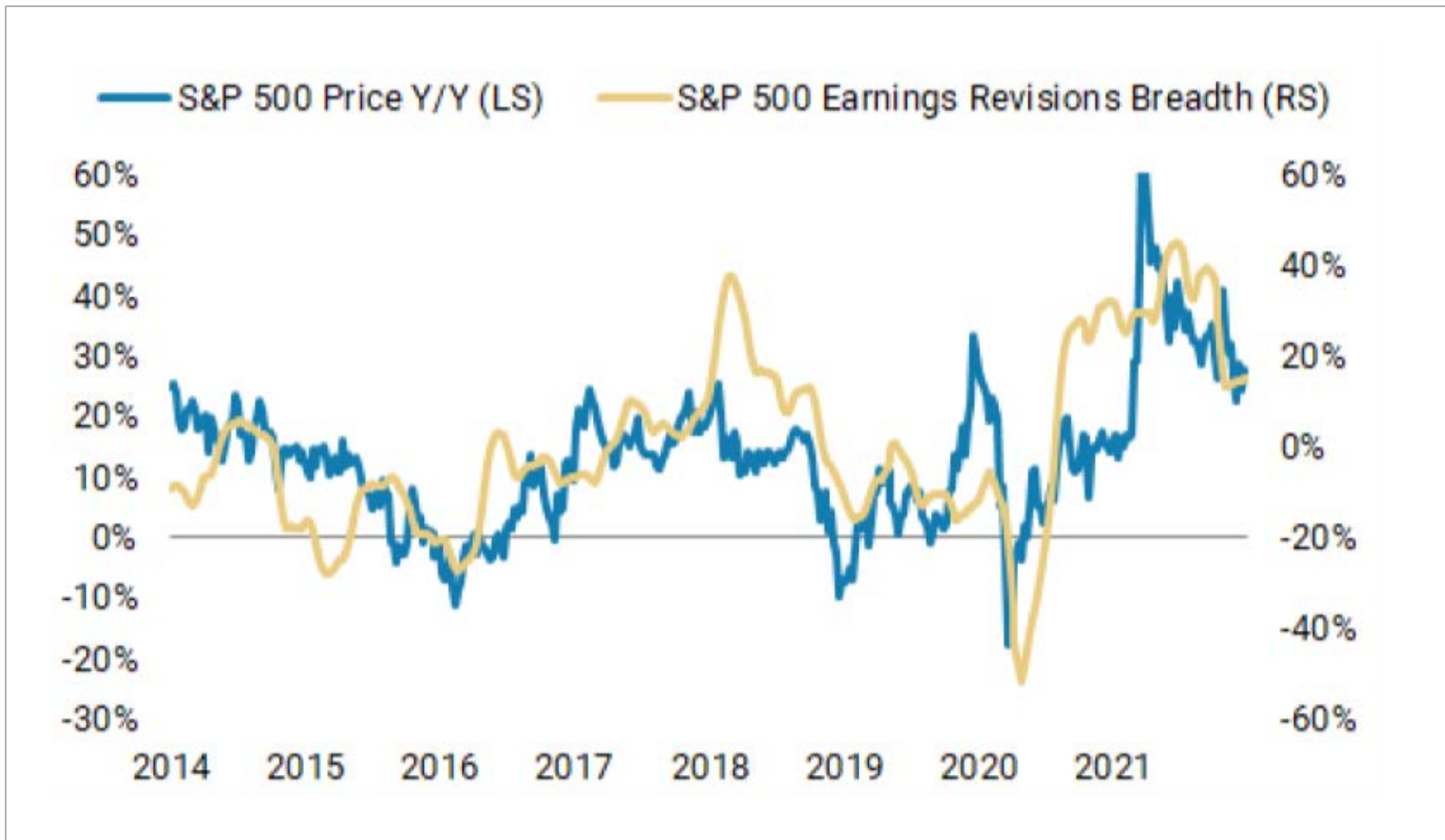
# Mid-Cycle Transition Correction Under the Surface but Not at Index Level...Yet



Source: Bloomberg, Morgan Stanley & Co. Research

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

## Good News: Earnings Revision Breadth Still Supportive of S&P 500 Price



Source: Bloomberg, Morgan Stanley & Co. Research as of January 12, 2022. Earnings revisions breadth is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.

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## ACCOUNT(S) INCLUDED IN THIS REPORT

TSBA OPEB TRUST

Reporting Currency: USD

## MORGAN STANLEY WEALTH MANAGEMENT

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 01/27/22	Total Value (\$) 01/27/22	% of Portfolio 01/27/22
ARLINGTON CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX385	02/18/20	-	1.41	152,229.27	0.12
ARLINGTON CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX901	06/17/15	-	7.81	3,784,300.54	2.85
BARTLETT CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX383	02/18/20	-	1.55	186,141.01	0.14
BARTLETT CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX902	06/17/15	-	7.88	4,580,759.60	3.45
Collierville City - Alternative Invest. 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX396	02/18/20	-	1.62	81,765.03	0.06
COLLIERVILLE CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX903	06/17/15	-	7.68	1,960,534.85	1.48
HICKMAN CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX866	06/03/15	-	7.84	2,612,169.82	1.97
Hickman Co. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX388	02/18/20	-	1.70	108,897.89	0.08
JACKSON-MADISON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX864	06/03/15	-	7.82	475,182.44	0.36
JACKSON-MADISON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX403	02/18/20	-	1.60	19,440.85	0.02

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. All content within this Document applies to the accounts listed above or a subset thereof, unless otherwise indicated. Closed Accounts listed above are included for historical performance. The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

## ACCOUNT(S) INCLUDED IN THIS REPORT

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## MORGAN STANLEY WEALTH MANAGEMENT (Continued)

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 01/27/22	Total Value (\$) 01/27/22	% of Portfolio 01/27/22
JOHNSON CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX869	06/03/15	-	7.83	1,292,455.15	0.97
JOHNSON CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX398	02/18/20	-	1.76	53,965.93	0.04
Lakeland City - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX393	02/18/20	-	1.67	82,977.47	0.06
LAKELAND CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX900	06/17/15	-	7.67	2,040,403.11	1.54
MILLINGTON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX583	07/05/16	-	9.30	360,975.43	0.27
MILLINGTON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX409	02/18/20	-	1.61	14,724.98	0.01
SHELBY CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX863	06/03/15	-	7.79	110,347,716.81	83.04
SHELBY CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX380	02/18/20	-	3.52	4,729,549.36	3.56
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX865	06/03/15	07/20/15	-	0.00	0.00
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX925	06/23/15	07/20/15	-	0.00	0.00

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**ACCOUNT(S) INCLUDED IN THIS REPORT**

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Reporting Currency: USD

**MORGAN STANLEY WEALTH MANAGEMENT (Continued)**

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 01/27/22	Total Value (\$) 01/27/22	% of Portfolio 01/27/22
<b>Morgan Stanley Wealth Management Total</b>							<b>132,884,189.54</b>	<b>100.00</b>
<b>Total Portfolio</b>							<b>132,884,189.54</b>	<b>100.00</b>

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. All content within this Document applies to the accounts listed above or a subset thereof, unless otherwise indicated. Closed Accounts listed above are included for historical performance. The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

## DISCLOSURES

**Explanatory Notes and Disclosures:** This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

For convenience purposes, your Financial Advisor may have assigned a designated name for this Document. The list of the accounts covered in this document is noted herein and may not include all of your accounts with us or external custodians. Furthermore, the information included in this document may not include all asset classes/securities/liabilities held by you at the firm or external custodians. Please review this document carefully and discuss any questions you may have with your Financial Advisor. If you do not understand an entry, suspect an error, or want more details on current values or other information, contact your Financial Advisor. This document is based upon your Morgan Stanley account holdings and may include other holdings/information that you or a third party provided about assets custodied elsewhere. Morgan Stanley will not verify any other holdings/information. If any information reflects assets held away from Morgan Stanley that will be indicated. The information contained in this document is subject to, and does not supersede the confirmations and account statements you receive from us. Values shown in your official account statement may differ from the values shown in this document due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your official account statement and this document, rely on your official account statement.

The information in this document is approximate and subject to updating, correction and other changes. We are not obligated to notify you if information changes. Although the statements of fact and data in this document have been obtained from, and are based upon sources that we believe to be reliable, we do not guarantee their accuracy, or timeliness, and any such information may be incomplete or condensed. Percentage values shown in this document are subject to rounding, which may impact total values. The values of securities and other investments not actively traded may be estimated or may not be available.

This information is provided for informational purposes only and should not be used for tax preparation. The information reported on your Form(s) 1099 supersedes the information provided in this report and should be exclusively relied upon for tax preparation. Morgan Stanley, its affiliates and its employees are not in the business of providing tax or legal advice. Clients should seek advice based on their particular circumstances from an independent tax and legal advisor. Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments.

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**Money Market Fund:** You could lose money in Money Market Funds (MMFs). Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.

**AAA Accounts:** The Active Assets Account is a brokerage account offered through Morgan Stanley Smith Barney LLC.

**Consulting Group Advisory Accounts:** Consulting Group is a business of Morgan Stanley Smith Barney LLC.

**Important Regulation Best Interest Information:** This report is being provided as a courtesy. By providing this report, we do not represent or agree that we will monitor the investments in your brokerage account(s) or deliver future reports.

Residential Mortgage loan information is excluded from this report. Please contact your Morgan Stanley team for more information.

**Additional information about your Floating Rate Notes:** For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

**Important Information About Auction Rate Securities:** For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

**Important Pricing Information:** Prices of securities not actively traded may not be available, and are indicated by a dash "-". Account values are based on the most recent security pricing available and may be prior to the date of this material.

**Asset Classification:** We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain

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Prepared on January 28, 2022 | Reporting Currency: USD

characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

**Morgan Stanley Wealth Management:** Morgan Stanley Wealth Management (custodian type "Morgan Stanley Wealth Management") is a registered trade name of Morgan Stanley Smith Barney LLC.

**Additional information about your Structured Products:** Structured Investments are complex products and may be subject to special risks, which may include, but are not limited to: loss of initial investment; issuer credit risk and price volatility resulting from any actual or anticipated changes to issuer's and/or guarantor's credit ratings or credit spreads; limited or no appreciation and limits on participation in any appreciation of underlying asset(s); risks associated with the underlying reference asset(s); no periodic payments; call prior to maturity; early redemption fees for market linked deposits; lower interest rates and/or yield compared to conventional debt with comparable maturity; unique tax implications; limited or no secondary market; and conflicts of interest due to affiliation, compensation or other factors which could adversely affect market value or payout to investors. Investors also should consider the concentration risk of owning the related security and their total exposure to any underlying asset.

**Morgan Stanley & Co.:** Morgan Stanley & Co. LLC ("Morgan Stanley & Co.") is an affiliate of Morgan Stanley Smith Barney LLC ("Morgan Stanley Wealth Management") and both are subsidiaries of Morgan Stanley, the financial holding company. Morgan Stanley & Co. values shown on your Morgan Stanley Wealth Management statement may differ from the values shown in your official Morgan Stanley & Co. statement due to, among other things, different reporting methods, delays, market conditions and interruptions. The information shown is approximate and subject to updating, correction and other changes. Information being reported by Morgan Stanley Wealth Management on assets held by other custodians, which are related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from that information provided by the custodian. In performance calculations, the inception date will align with the first date on which Morgan Stanley Wealth Management received account information from the custodian. If there are discrepancies between your official Morgan Stanley & Co. account statement and your Morgan Stanley Wealth Management supplemental client report, rely on the official Morgan Stanley & Co. account statement.

**External Accounts:** "External" generally refers to accounts, assets, and/or liabilities that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("External Accounts"). External Accounts are not under administration or management at Morgan Stanley and are not reflected in your Morgan Stanley account statements. Information related to External Accounts is provided solely as a service to you and your Financial Advisor/Private Wealth Advisor. The information reference is based upon information provided by external sources which we believe to be reliable. However, we do not independently verify this information. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed.

Information related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification, Risk Analysis and Gain/Loss may differ from the information provided by your custodian. External information presented herein is subject to, and does not supersede, the confirmations and account statements provided by your custodian. Values shown in an account statement from your custodian may differ from the values shown here due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. We are not obligated to notify you or your Financial Advisor/Private Wealth Advisor if information changes. In performance calculations, the inception date referenced will reflect the first date on which Morgan Stanley received account information from the custodian. If information on an External Account cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

**Timing of Feeds:** Account and Position data for Morgan Stanley & Co. and External Accounts is obtained from sources that we believe to be reliable. However, Morgan Stanley Wealth management does not guarantee its accuracy or timeliness as such information may be incomplete, condensed, or based on differing points of time. Please refer to the "Last Update Date" for information regarding when the data was last refreshed. You should not take any action relying upon this information without confirming its accuracy and completeness.

**Manually Added assets:** "Manually Added" generally refers to accounts, assets, and/or liabilities, as applicable, that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("Manually Added External Accounts"). The Manually Added External Accounts referenced are generally not held with Morgan Stanley and are not under administration or management at Morgan Stanley. Information about such Manually Added External Accounts is manually inputted, updated and maintained solely by you and/or your Financial Advisor/Private Wealth Advisor. Morgan Stanley may include information about these Manually Added External Accounts solely as a service to you and your Financial Advisor/Private Wealth Advisor. We do not independently verify any information related to your Manually Added External Accounts. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed. Valuations and other information about these assets may be provided by you and/or your Financial Advisor/Private Wealth Advisor and are generally based upon estimates. The information is used for position, asset allocation, and product allocation reporting purposes but is not, however, reflected in your Morgan Stanley account statements. Income values, including Estimated Annual Income and Projected Income, are not calculated for Manually Added External Accounts. Risk Analysis is not

calculated for Manually Added External Accounts. The information being reported by Morgan Stanley on Manually Added External Accounts related to Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from the information provided to you by the custodian of those assets. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. The inception date referenced in this view will reflect the date on which information about the Manually Added External Accounts was input by you and/or your Financial Advisor/Private Wealth Advisor. If information on a Manually Added asset cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

**Performance:** Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, dividends, interest and income. Depending on the opening or closing date of the account or position, the performance referenced may be for a portion of the time period identified. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up-to-date performance information. Past performance is not a guarantee of future results. Quotations of performance appearing in this report may include performance experienced in legacy accounts which have been closed and purged, and as such are not included on the Accounts Included in This Report page.

Market values used for performance calculation do not include Performance Ineligible Assets and thus may differ from asset allocation market values. Common examples of Performance Ineligible Assets include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Unless otherwise indicated, performance is an aggregated composite calculation of the entire portfolio and may include brokerage and investment advisory accounts as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

For Morgan Stanley Smith Barney LLC accounts, performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 or applicable disclosure brochure and any applicable brokerage commission and/or fee schedule for a full disclosure of fees and expenses. Your Financial Advisor will provide those documents to you upon request. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses.

Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

**Sub Account and Security Level Performance:** The performance return methodology described above and in the TWR and IRR definitions applies to both Account Level and Sub-Account (e.g. Asset Class or Security level) performance returns. The inputs consist of market values and net flows.

For example, TWR is calculated by taking the Change in Market Value (Ending MV – Beginning MV) less any net flows, divided by the beginning MV.  $TWR = (Ending\ MV - Beginning\ MV - Net\ Flows) / Beginning\ MV$

The difference lies in what is or is not included in the Market Values and Flows. For account level performance, the total account market values and all flows within the account are taken into account. For sub-account level performance, only those market values and flows associated with the specific securities included are taken into account.

Flows that are not security specific typically include account advisory fees, cash contributions or withdrawals, and any other flows that are not attributed to a specific security.

Flows that are security specific including purchases, sales, dividends, interest, partnership distributions, return of capital, fund sales charges, security transaction fees, and ongoing fund expenses are typically reflected in the security level returns.

**Gross of Fees:** The impact of program fees can be material. These program fees are deducted based on your billing cycle and may have a compounding effect on performance. As fees are deducted periodically throughout the year, the compounding effect may increase the impact of the fees by an amount directly related to the gross account performance.

**Indices:** Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the

Benchmark Definitions section of this material for additional information on the indices used for comparison.

**Performance Inception Month End:** Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

**Projected 12 Month:** Projected 12 Month Income is based upon cash income from interest, cash dividends, and partnership distributions. It is a hypothetical projection calculated using current yields. The projected income referenced is based upon certain market projections effective as at today's date only and can change at any time. Such projected income is hypothetical, do not reflect actual investment results, and is not a guarantee of future results. The projected income is referenced for illustrative purposes only. Morgan Stanley does not represent or guarantee that the projected income referenced will or can be attained. The actual income may be lower or higher than the projections based upon a variety of factors and assumptions. The projected income shown may under or over compensate for the impact of actual market conditions and other factors. We make no representation or warranty as to the reasonableness of the assumptions made, or that all assumptions used to construct this projected income information have been stated or fully considered. To the extent that the assumptions made do not reflect actual conditions, the illustrative value of the hypothetical projected income will decrease. The projected income referenced may include income from Morgan Stanley & Co. and External Accounts, where data is available. Such information was obtained from third party sources which Morgan Stanley believes to be reliable. However, we make no representation or guarantee that the information is accurate or complete. You should not rely upon this information to make any investment decision. Please refer to the official account statements and performance reports you received from your custodian and/or financial institution for information about projected income in your External Accounts. The projected income referenced does not include income from assets in Manually Added External Accounts.

**Bank Deposit Program:** Under the Bank Deposit Program, generally cash balances held in account(s) at Morgan Stanley Smith Barney LLC ("MSSB") are automatically deposited by MSSB into an interest bearing FDIC-insured deposit account(s), at Morgan Stanley Bank, N.A. and/or Morgan Stanley Private Bank, National Association, each a national bank, Member FDIC, and an affiliate of MSSB. Detailed information on federal deposit insurance coverage is available on the FDIC's website (<https://www.fdic.gov/deposit/deposits/>). Cash balances generally include the uninvested cash in a client's account(s) minus certain items such as purchase transactions due to settle within a specified time period, other charges to a client's account(s), and cash balances that are designated as collateral for a client's obligations.

**Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States.**

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance. Morgan Stanley Smith Barney LLC offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program.

Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be appropriate for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV). **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

**Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy.** GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a **'Watch'** policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to

address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

**Adverse Active Alpha<sup>SM</sup> 2.0** is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see *Adverse Active Alpha<sup>SM</sup> 2.0: Scoring Active Managers According to Potential Alpha* and *Value Score: Scoring Fee Efficiency by Comparing Managers' "Fair Value" and Actual Expense Ratios*. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

**The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs** GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

**Strategy May Be Available as a Separately Managed Account or Mutual Fund** Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. Generally, investment advisory accounts are subject to an annual asset-

based fee which is payable monthly in advance (some account types may be billed differently). (The "Fee"). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub-Manager fees. If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. Overlay Managers or Executing Sub-Managers ("managers") in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf). For more information, please refer to the ADV Brochure for your program(s), available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or contact your Financial Advisor/Private Wealth Advisor. For example, on an advisory account with a 2.5% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.38% after one year, 10.50% after three years, and 18.10% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be an appropriate asset allocation for you, whether CGCM is an appropriate program for you.

**No obligation to notify** – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

**Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at [www.morganstanley.com](http://www.morganstanley.com). Please read it carefully before investing.**

***An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.***

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The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

The Morgan Stanley Digital Vault ("Digital Vault") is accessible to clients with dedicated Financial Advisors. Documents shared via the Digital Vault should be limited to those relevant to your Morgan Stanley account relationship. Uploading a document to the Digital Vault does not obligate us to review or take any action on it, and we will not be liable for any failure to act upon the contents of such document. Please contact your Financial Advisor or Branch Management to discuss the appropriate process for providing the document to us for review. If you maintain a Trust or entity account with us, only our certification form will govern our obligations for such account. Please refer to the Morgan Stanley Digital Vault terms and conditions for more information.

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Electronic payments arrive to the payee within 1-2 business days, check payments arrive to the payee within 5 business days. Same-day and overnight payments are available for an additional fee within the available payment timeframes.

**KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS**

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established

companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not appropriate for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

**Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. 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These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including

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Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not

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guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

***Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment.*** Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and ***investors could lose their entire investment.***

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.

- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.

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- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is *not* one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.
- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.
- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.
- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.
- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.
- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.
- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

**Tax laws are complex and subject to change.** Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/doj](http://www.morganstanley.com/disclosures/doj). Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

*For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>*

**GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS:** The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

**HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

**FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS:** None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at [www.morganstanley.com/adv](http://www.morganstanley.com/adv). The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

**Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get

no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

**Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

**Master Limited Partnerships (MLPs)** are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

**Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

**Nondiversification:** For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

**Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected. Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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## GENERAL DEFINITIONS

**Annualized Standard Deviation:** A statistical calculation that measures the volatility of returns over time; the larger the standard deviation, the greater the volatility.

**Dollar-Weighted Return (Internal Rate of Return):** A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals.

**Gross of Fees:** Performance results depicted as "gross" of fees do not reflect the deduction of any wrap fee, investment management fee, trade commissions, and/or other account fees. Your actual returns are lower after deducting these expenses. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

**Investment Earnings:** A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

**Net Contributions/Withdrawals:** The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

**Net of Fees:** Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

**Performance ineligible assets:** Performance returns are not calculated for certain assets because accurate valuations and transactions for these assets are not processed or maintained by Morgan Stanley Smith Barney LLC. Common examples include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

**Tax-Qualified Account(s):** Accounts that qualify for favorable tax treatment under US federal tax law and may benefit from favorable tax treatment under applicable state tax law. Typically, these accounts benefit from tax deferred growth potential, meaning investment earnings (such as capital gains, dividends, and interest) are generally not subject to federal income tax while the earnings remain in the account. Capital gains rates generally do not apply. Distributions of taxable amounts are generally subject to ordinary income tax and, if made before age 59 1/2, may be subject to a 10% (25% for certain SIMPLE IRA distributions) penalty tax. Some tax-qualified accounts, such as traditional Individual Retirement Accounts ("IRA") and employer sponsored retirement plan accounts, may allow tax deductible and/or pre-tax contributions (subject to certain limitations and restrictions). Other tax-qualified accounts, such as Roth IRAs and Coverdell Education Savings Accounts, may allow income tax free distributions, but only if certain conditions are satisfied.

## TSBA OPEB TRUST

Prepared on January 28, 2022 | Reporting Currency: USD

**Taxable Account(s):**Accounts that are not Tax-Qualified Account(s), meaning investment earnings (such as capital gains, dividends, and interest) are generally subject to current US federal income taxation when held by US taxable investors. Note, however, that this category may include specific assets that are generally not subject to US federal income tax such as municipal bonds.

**Time-Weighted Return:**A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

**Total Value:**"Total Value" represents the Market Value of the portfolio or Asset Class referenced and includes the accrual of interest and dividends. Total Value in the Asset Allocation view prior to January 2014 does not reflect the accrual of interest and dividends. Total Value for Morgan Stanley & Co. and External accounts also does not include accrued interest and dividends.

## BENCHMARK DEFINITIONS

**TN TSBA Composite:**The current allocation is comprised of 25.00% BC Global Agg 1-3 YR, 15.00% MSCI EAFE Net, 50.00% MSCI AC World Net, 10.00% MSCI EM Net.

**MSCI AC World Net:**The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE T-Bills 30 Day:**A measure of monthly returns equivalent of yield averages that are not marked to market. A measure of short term rates.

**Russell 1000 Gr:**The Russell 1000 Growth Index is representative of the U.S. market for large capitalization stocks containing those companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth.

**MSCI EAFE Net:**The MSCI EAFE Index -Europe, Australasia, Far East - is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**Russell 1000 Value:**The Russell 1000 Value Index is representative of the U.S. market for large capitalization stocks containing those companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth.

**CPI:**The U.S. CPI Index is a measure of the average change in prices over time in a fixed market basket of goods and services. The index is for all U.S. Urban Consumers, which covers approximately 80% of the non-institutionalized civilian population. This index is seasonally adjusted. Seasonal adjustment removes the effects of events that follow a more or less regular pattern each year. These adjustments make it easier to observe the cyclical and other non-seasonal movements in a data series. Due to availability this is an estimated return until the 15th business day of each month, which is then revised to the finalized return.

**MSCI EM Net:**The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**BC Global Agg 1-3 YR:**The Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. This index is the 1-3 Yr component of the Global Aggregate index.

**Barclays Aggregate:**The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).



**OPEB Trust Meeting  
Doubletree Downtown Nashville Hotel  
Brentwood/Franklin Room  
February 14, 2022**

**AGENDA**

1:00 p.m.	Call to Order	Dr. Dale Viox, Chairman
1:02 p.m.	Approval of Agenda	
1:04 p.m.	Approval of November 20, 2021 Minutes	
1:06 p.m.	Approval of 6-month Financial Statements (December 31, 2021)	Dr. Tammy Grissom, Trust Administrator
1:08 p.m.	Report of Activities and Fiscal Condition of the Trust	
1:10 p.m.	Review and Approve Changes to the Following Policies: <ul style="list-style-type: none"><li>• 1000 – Selection and Duties of the Trustees</li><li>• 1010 – Board of Trustees’ Meetings</li></ul>	Emily Warren, Staff Attorney
1:15 p.m.	Review Investment Policy	
1:20 p.m.	Review Investment Report	Chris Sigmund, Morgan Stanley
1:45 p.m.	Brainstorm Ways to Market the OPEB Trust	Dr. Tammy Grissom
1:55 p.m.	Other Business	
2:00 p.m.	Adjourn	

**Tennessee School Boards Association  
OPEB Trust Meeting  
Gaylord Opryland Resort and Convention Center  
Magnolia Boardroom A**

The TSBA OPEB Trustees met on Saturday, November 20, 2021. The following members were present: **Dr. Dale Viox**, Arlington; **Kevin Long**, Johnson County; **Brett Henley**, Coffee County; **Wright Cox**, Collierville; **A.J. Massey**, Jackson-Madison County; and **Dr. Tammy Grissom**, Trust Administrator. Absent was **Kevin Woods**, Shelby County. TSBA staff member present was **Emily Warren**. The following were also in attendance: **Chris Sigmund** with Morgan Stanley and **Erica Saeger** with Crosslin.

Dr. Dale Viox called the meeting to order at 12:26 p.m. and welcomed everyone.

**LONG/COX:** Motion to approve the agenda. MOTION CARRIED.

**COX/LONG:** Motion to approve February 23, 2021 Minutes. MOTION CARRIED.

**LONG/HENLEY:** Motion to accept the 3-month Financial Statements (September 30, 2021). MOTION CARRIED.

Dr. Tammy Grissom, the Trust Administrator, reported on the activities and fiscal condition of the Trust. She noted that no new members had joined the OPEB Trust. She reminded everyone as to the benefits of being a member with the Trust.

Emily Warren, TSBA Staff Attorney, reported that there were no proposed changes to the OPEB Trust Bylaws at this time.

Erica Saeger with Crosslin reviewed the June 30, 2021 OPEB Trust Audit. There was no discussion or questions as to the contents of the audit.

**LONG/COX:** Motion to approve the June 30, 2021 OPEB Trust Audit. MOTION CARRIED.

**HENLEY/COX:** Motion to select Crosslin as the audit company for the TSBA OPEB Trust for the years 2022, 2023, and 2024.

Chris Sigmund with Morgan Stanley reported on the financial stability of the OPEB Trust and the performance of the Trust's investments in the current economy. He stated that the Trust is performing within the fiduciary guidelines as set forth by the investment policy and that the rate of return is extremely good for the year. He went into detail as to the current trend of the market as well as future projections for the Trust.

**LONG/COX:** Motion to approve the appointments of the following Trustees (term: 01/01/22 – 12/31/24): Dr. Dale Viox, Arlington; Kevin Long, Johnson County; Wright Cox, Collierville; A.J. Massey, Jackson-Madison County; and Kevin Woods, Shelby County. MOTION CARRIED.

**LONG/HENLEY:** Motion to elect Dr. Dale Viox as Chairman and Kevin Long as Vice-Chairman.  
MOTION CARRIED.

A.J. Massey discussed ways to promote the benefits of the OPEB Trust to other school districts. The Board agreed to discuss ways to market the Trust at the February 2022 Trust meeting.

The meeting adjourned at 1:05 p.m.

**Respectfully submitted,**

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**Dr. Dale Viox, Chairman**

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**Dr. Tammy Grissom, OPEB Trust Administrator**

**TSBA OPEB Trust**  
**Balance Sheet**  
As of December 31, 2021

	Dec 31, 21
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000-00 · Suntrust Operating Account	5,653.32
<b>Total Checking/Savings</b>	5,653.32
<b>Other Current Assets</b>	
1300-00 · Investments	
1300-10 · Hickman County Investments	2,883,336.80
1300-20 · Johnson County Investments	1,426,534.74
1300-30 · Shelby County Investments	121,819,141.07
1300-50 · Jackson-Madison Investments	524,012.42
1300-60 · Arlington Investments	4,169,162.44
1300-70 · Bartlett Investments	5,048,856.63
1300-80 · Collierville Investments	2,163,526.15
1300-90 · Lakeland Investments	2,248,801.25
1300-91 · Millington Investments	398,105.81
<b>Total 1300-00 · Investments</b>	140,681,477.31
<b>Total Other Current Assets</b>	140,681,477.31
<b>Total Current Assets</b>	140,687,130.63
<b>TOTAL ASSETS</b>	<b>140,687,130.63</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Equity</b>	
3200-00 · Unrestricted Net Assets	137,761,847.40
Net Income	2,925,283.23
<b>Total Equity</b>	140,687,130.63
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>140,687,130.63</b>

**TSBA OPEB Trust**  
**Profit & Loss**  
 July through December 2021

	Jul - Dec 21
<b>Income</b>	
4400-00 · Unrealized Gain/Loss	
4400-10 · Unrealized Gain/Loss - Hickman	-28,197.07
4400-20 · Unrealized Gain/Loss - Johnson	-13,976.87
4400-30 · Unrealized Gain/Loss - Shelby	-1,184,819.71
4400-50 · Unrealized Gain/Loss - JMadison	-5,171.35
4400-60 · Unrealized Gain/Loss - Arlingto	-40,823.08
4400-70 · Unrealized Gain/Loss - Bartlett	-49,826.83
4400-80 · Unrealized Gain/Loss - Collierv	-21,577.80
4400-90 · Unrealized Gain/Loss - Lakeland	-22,638.10
4400-91 · Unrealized Gain/Loss - Millingt	-3,877.27
	-1,370,908.08
<b>Total 4400-00 · Unrealized Gain/Loss</b>	<b>-1,370,908.08</b>
4500-00 · Interest, Dividends&Capital Gn	
4500-10 · Interest, Div., & CG - Hickman	91,560.89
4500-20 · Interest, Div., & CG - Johnson	45,322.09
4500-30 · Interest, Div., & CG - Shelby	3,911,257.29
4500-50 · Interest, Div., & CG - JMadison	16,669.23
4500-60 · Interest, Div., & CG - Arlingto	132,804.33
4500-70 · Interest, Div., & CG - Bartlett	160,795.69
4500-80 · Interest, Div., & CG - Collierv	68,814.62
4500-90 · Interest, Div., & CG - Lakeland	71,728.56
4500-91 · Interest, Div., & CG - Millingt	12,657.38
	4,511,610.08
<b>Total 4500-00 · Interest, Dividends&amp;Capital Gn</b>	<b>4,511,610.08</b>
4800-00 · Interest Income	0.30
	0.30
<b>Total Income</b>	<b>3,140,702.30</b>
<b>Expense</b>	
6400-00 · Administrative Fee	
6400-10 · Administrative Fee - Hickman	3,513.32
6400-20 · Administrative Fee - Johnson	1,738.22
6400-30 · Administrative Fee - Shelby	73,409.18
6400-50 · Administrative Fee - J. Madison	638.53
6400-60 · Administrative Fee - Arlington	5,079.94
6400-70 · Administrative Fee - Bartlett	6,152.22
6400-80 · Administrative Fee - Colliervil	2,636.58
6400-90 · Administrative Fee - Lakeland	2,740.52
6400-91 · Administrative Fee - Millington	485.07
	96,393.58
<b>Total 6400-00 · Administrative Fee</b>	<b>96,393.58</b>
6500-00 · Investment Advisor Fees	
6500-10 · Investment Advisor Fees - Hickm	2,419.08
6500-20 · Investment Advisor Fees - Johns	1,198.56
6500-30 · Investment Advisor Fees - Shelb	103,090.41
6500-50 · Investment Advisor Fees - JMadi	441.05
6500-60 · Investment Advisor Fees - Arlin	3,537.10
6500-70 · Investment Advisor Fees - Bartl	4,278.18
6500-80 · Investment Advisor Fees - Colli	1,820.98
6500-90 · Investment Advisor Fees - Lakel	1,905.63
6500-91 · Investment Advisor Fees - Milli	334.50
	119,025.49
<b>Total 6500-00 · Investment Advisor Fees</b>	<b>119,025.49</b>
<b>Total Expense</b>	<b>215,419.07</b>
<b>Net Income</b>	<b>2,925,283.23</b>

# TSBA OPEB Trust

Descriptor Term:  <b>Selection and Duties of the Trustees</b>	Descriptor Code:  <b>1000</b>	Revised:  <b>10/21/20</b>
	Rescinds:  <b>1000</b>	Previous Issued:  <b>02/18/19</b>

## 1 APPOINTMENT OF TRUSTEES

2 The Board of Trustees shall consist of seven (7) Trustees: the Executive Director and President  
3 of the Tennessee School Boards Association, serving as ex-officio members; and the remaining  
4 five (5) Trustees, appointed by the TSBA OPEB Trustees from the governing boards of the  
5 participating members of the Trust. The term of these five (5) Trustees shall be three (3) years.

## 6 OFFICERS

7 Officers of the Trust shall consist of a Chairman and Vice-Chairman and such other officers as  
8 are established from time to time by the Trustees. All officers shall be elected annually by the  
9 Board of Trustees with the term beginning on January 1<sup>st</sup> of each year and terminating on  
10 December 31<sup>st</sup>.

## 11 LIABILITY OF TRUSTEES

12 The Trustees shall use ordinary care and reasonable diligence in the exercise of their power and  
13 in the performance of their duties. They shall not be liable for any mistake of judgment or other  
14 action made, taken, or omitted by them in good faith; nor for any action taken or omitted by any  
15 agent, employee, or attorney selected with reasonable care; nor for the loss incurred through  
16 investment of Trust money or failure to invest. No Trustee shall be liable for any action taken or  
17 omitted by any other Trustee. They shall not be required to give a bond or other security to  
18 guarantee the faithful performance of their duties.

## 19 RESIGNATION OF A TRUSTEE

20 Any Trustee may resign upon giving notification in writing to the Trust Administrator.

## 21 REMOVAL OF A TRUSTEE

22 Any Trustee, other than the ex-officio members of the Board of Trustees, may be removed at any  
23 time by a majority vote of the Trustees present at the meeting of the Board. In the event that the

1 ~~entity on whose~~ governing board the Trustee serves on ceases to participate in the Trust, the  
2 Trustee's ~~membership~~ term on the Board of Trustees shall terminate immediately. If a Trustee is  
3 not present at three (3) ~~Trustee~~ meetings during any term, the Trustee's ~~membership~~ term on the  
4 Board of Trustees shall terminate with the adjournment of the third meeting missed unless a  
5 majority of the Trustees present at the meeting vote to excuse the third absence. If such Trustee  
6 misses a fourth meeting during one term, the removal of the Trustee shall automatically become  
7 effective with the adjournment of the fourth meeting missed.

## 8 **APPOINTMENT OF SUCCESSOR TRUSTEES**

9 Upon the death, resignation, or removal of a Trustee or upon the Trustee becoming ineligible to  
10 serve, the Board of Trustees shall appoint a new Trustee to serve the remainder of the term.

## 11 **AUTHORITY AND DUTIES OF THE TRUSTEES**

12 The Board shall carry out the purposes and duties of the Trust including, but not limited to, the  
13 following:

- 14 1. Contract for services of investment management, financial consultants, attorneys,  
15 auditors, and such other persons as may be necessary to administer and accomplish the  
16 purposes of the Trust;  
17
- 18 2. Determine the compensation for all such agents and independent contractors;  
19
- 20 3. Obtain annually an audited report of the financial affairs of the Trust;  
21
- 22 4. Receive and hold all payments and contributions paid to it;  
23
- 24 5. Procure fidelity bonds for persons as required by the TSBA OPEB Trust Bylaws; and  
25
- 26 6. Carry out other activities as necessary for the management and operation of the Trust.

# TSBA OPEB Trust

Descriptor Term:  <b>Board of Trustees' Meetings</b>	Descriptor Code:  <b>1010</b>	Revised:  <b>10/21/20</b>
	Rescinds:  <b>1010</b>	Previous Issued:  <b>02/17/20</b>

## 1 **REGULAR MEETINGS OF TRUSTEES**

2 Regular meetings of the Board of Trustees shall be held biannually. Any item of business may be  
3 considered at a regular meeting. The time, date, and location of meetings of the Board shall be  
4 determined by the Board.

## 5 **SPECIAL MEETINGS OF TRUSTEES**

6 Special meetings of the Board of Trustees may be called at any time by the Chairman or by any  
7 four (4) of the Trustees. An emergency meeting may be called with less than ten (10) days  
8 written notice provided that all Trustees agree to such a meeting. An agenda specifying the  
9 subject of any special meeting shall accompany such notice, and only business included on that  
10 agenda may be transacted.

## 11 **NOTICE OF MEETINGS**

12 The Trust Administrator shall publish any schedule or notice of meeting of the Board as required  
13 by law.<sup>1</sup> Such publication requirement shall be deemed met by announcement on the TSBA  
14 website.

## 15 **REQUIRED VOTE**

16 Any action by the Trustees shall be taken at a duly constituted meeting. A majority of the  
17 Trustees present at a duly constituted meeting shall be required for action.

## 18 **OPEN MEETINGS**

19 All meetings of the Board of Trustees will be held in accordance with the Tennessee Open  
20 Meetings Act.<sup>2</sup>

## 21 **ELECTRONIC ATTENDANCE<sup>3</sup>**

22 Absent Trustees may participate in a regular or special meeting by electronic means of  
23 communication. The following requirements apply to all electronic attendance:

- 1       1. A quorum of the Board shall be physically present at the meeting in order for any Trustee  
2       to attend electronically;
- 3
- 4       2. The responsibility for the connection lies with the Trustee wishing to participate  
5       electronically. No more than two (2) attempts to connect shall be made unless the Board  
6       chooses to make additional attempts;
- 7
- 8       3. The Trustee wishing to participate shall give the Chairman or the Trust Administrator at  
9       least five (5) days' notice prior to the meeting of the Trustee's desire to participate  
10      electronically; and
- 11
- 12      4. All votes taken during a meeting where a Trustee is attending electronically shall be by  
13      roll call vote.

---

Legal References

1. TCA 8-44-103
2. TCA 8-44-101 *et seq.*
3. TCA 8-44-108

# TSBA OPEB Trust

Descriptor Term:  <b>Investment</b>	Descriptor Code:  <b>3060</b>	Revised:  <b>10/21/20</b>
	Rescinds:  <b>3060</b>	Previous Issued:  <b>02/12/18</b>

## 1 OBJECTIVES AND PERFORMANCE GOALS

2 The Trust's overall investment objective is to achieve a favorable total rate of return consistent  
3 with prudent financial management. The goal is to meet stated financial needs of the Trust while  
4 maintaining or increasing the real inflation adjusted value of the permanent funds for which the  
5 Trust has been entrusted.

6 The performance of the Trust's financial assets and its investment managers will be monitored  
7 on a quarterly basis. Portfolio asset allocation shall be reviewed at least annually. Individual  
8 managers will be expected to exceed the performance of relevant market index benchmarks over  
9 full market cycles. Risk-adjusted performance will also be measured against a peer group of  
10 similar managers and evaluated over three (3) and five (5) year annualized time periods.

## 11 BOARD OF TRUSTEES

12 The Board of Trustees is responsible for overseeing the investments assets of the Trust and for  
13 discharging its duties solely in the best interest of the Trust. These duties shall be discharged  
14 with the care, skill, prudence, and diligence under the circumstances then prevailing that a  
15 prudent man acting in a like capacity and familiar with such matters would use in the conduct of  
16 an enterprise of a like character and with like aims. In addition, the Board of Trustees will  
17 conduct a thorough review of any person or entity providing investment services to the Trust to  
18 avoid any potential conflict of interest situations.

## 19 FINANCE COMMITTEE

20 The Board of Trustees will act as the Finance Committee. The duties of the Finance Committee  
21 include, but are not limited to, the following:

- 22 1. Evaluating and selecting an investment consultant;  
23
- 24 2. Developing investment objectives and performance measurement standards which are  
25 consistent with the financial needs of the Trust and individual funds;

- 1 3. Periodically reviewing the policy guidelines, and if needed, making changes after  
2 consideration of the advice and recommendations of the investment consultant and  
3 others;  
4
- 5 4. Determining an asset allocation strategy and investment management structure  
6 designed to meet the Trust's investment objectives;  
7
- 8 5. Evaluating and selecting investment managers;  
9
- 10 6. Communicating investment objectives, portfolio guidelines, and performance  
11 standards to the investment managers;  
12
- 13 7. Holding biannual meetings for the review of performance reports and financial  
14 statements and informational conference calls as needed;  
15
- 16 8. Deploying existing assets and newly contributed funds to the investment managers;  
17
- 18 9. Reviewing and evaluating investment results in the context of predetermined  
19 performance standards;  
20
- 21 10. Ensuring that investment managers are in compliance with all portfolio guidelines  
22 and restrictions and that undo risk is not being undertaken to achieve objectives;  
23
- 24 11. Taking necessary corrective action when investment managers fail to achieve  
25 expected results; and  
26
- 27 12. Engage in RFP process for all contracted services every three (3) years.

## 28 CUSTODIAN

29 Subject to approval by the Board of Trustees, the Finance Committee is authorized to hire a  
30 custodian to safekeep the Trust's assets. The duties of the custodian include, but are not limited  
31 to, the following:

- 32 1. Providing all normal custodial functions including security safekeeping, collection of  
33 income, settlement of trades, collection of proceeds of maturing securities,  
34 distribution of income, and daily investment of uninvested cash;  
35
- 36 2. Providing reports detailing investment holdings and account transitions monthly and

1 an annual report summarizing the following to be submitted to the Finance  
2 Committee within forty-five (45) days following each fiscal year end;

3  
4 a. The reports will include the following:

- 5 1. Statement of all assets on hand;
- 6 2. Statement of all assets received representing contributions to the  
7 account; and
- 8 3. Statement of all sales, redemptions, maturities, and principal  
9 payments;

10  
11  
12 3. Establishing and maintaining directed account relationships with each investment  
13 manager; and

14  
15 4. Preparing accounting reports as requested.

## 16 **INVESTMENT MANAGEMENT**

17 The Board of Trustees is authorized to engage the services of investment managers, as defined  
18 under the Investment Advisors Act of 1940, and other investment professionals to provide the  
19 specialized management necessary to meet the Trust's investment objectives and guidelines.  
20 Accordingly, the Board of Trustees requires the investment managers to adhere to the "prudent  
21 man rule" under such state laws<sup>1</sup> as may be applicable or which may be applicable in the future  
22 of the investment of Trust assets.

## 23 **DELEGATION OF AUTHORITY**

24 Investment managers retained by the Board of Trustees will be held responsible for making all  
25 investment decisions regarding the assets under their direction. Each investment manager will be  
26 provided with a copy of these investment policy objectives and guidelines. In addition, each  
27 manager will be provided with any additional specific goals and objectives that are applicable to  
28 the particular managed account that the manager is responsible for. Managers will be required to  
29 observe and operate within all guidelines specified by the Trust.

## 30 **CAPITAL REQUIREMENTS**

31 The Board of Trustees is directed to maintain an Operating Reserve balance which may be  
32 custodied in one or more accounts and must maintain a balance that is appropriate to meet the  
33 annual distribution needs of the Trust. Such funds may only be invested in insured money market  
34 instruments or in investments whose principal is guaranteed by the full faith and credit of the

1 United States Government or one of its agencies. Irrespective of the type of investment selected,  
 2 funds may not be invested in any security with a maturity greater than one (1) year. The Board of  
 3 Trustees is permitted to maintain all Trust funds in Operating Reserve investments until the Trust  
 4 fund balance reaches a level where it is both economically prudent and fiscally appropriate to  
 5 invest funds.

6  
 7 The Board of Trustees may establish an account or accounts whose balances are restricted to a  
 8 particular use or program. Such accounts may be invested according to the guidelines established  
 9 in this policy or restricted to more conservative allocations pursuant to the timing of the need for  
 10 the funds. Restricted fund balances may be expended at the direction of the Board of Trustees so  
 11 long as such direction is not in conflict with agreements or restrictions attached to the receipt of  
 12 such funds.

13  
 14 All remaining funds owned or controlled by the Board of Trustees shall be considered Capital  
 15 Reserves. At the end of each operating year, any and all reserves held in accounts designed as  
 16 Operating Reserves which are in excess of the required balance for the upcoming operating year  
 17 shall be reallocated to the Capital Reserves account or accounts. All funds held in Capital  
 18 Reserve accounts shall be invested pursuant to the guidelines established in this policy.

## 19 INVESTMENT GUIDELINES

20 The Trust's investment policy objectives and guidelines will be reviewed and revised as needed  
 21 from time to time by the Finance Committee. In conducting the review, the committee will  
 22 consider applicable advice and recommendations of the Trust's attorneys, accountants,  
 23 investment managers, consultants, or other professionals retained to render advice to the Trust.  
 24 All modifications shall be in writing and shall be approved by the Board of Trustees.

## 25 ASSET ALLOCATION

26 The Trust's investment philosophy is that assets should be allocated with the goal of producing  
 27 the highest total return consistent with prudent financial management. Unless otherwise specified  
 28 by individual fund objectives, this philosophy should be adhered to within the constraints  
 29 of the following asset allocation ranges:

30	<u>Maximum allocation</u>	<u>Minimum allocation</u>
31 Equity Investments	70%	35%
32 Fixed Income Investments	65%	20%
33 Cash & Equivalent	35%	0%

1	Alternative Investments – 40 Act Funds	15%	0%
2	Hedging Strategies		
3	Commodities ETF's		
4	Managed Futures Funds		

5 In cases where individual fund objectives require an exception to the above asset allocation  
6 ranges, written statements detailing the reasoning for each specific fund will be provided as  
7 supplements to this Investment Policy.

8 From time to time, the Finance Committee will determine specific asset allocation targets that it  
9 feels are best suited for accomplishing the above total return objective. These specific asset  
10 allocation targets will be communicated to individual investment managers in writing, and within  
11 a reasonable time frame, managers are expected to reallocate assets in order to comply with the  
12 target ranges established by the Committee. In the absence of specific asset allocation targets  
13 from the Trust, individual managers will have the direct responsibility for settling and  
14 maintaining an asset mix that they feel will best accomplish the Trust's total return objective. At  
15 all times and in all cases, the above maximum and minimum limits or specific individual fund  
16 maximum and minimum limits, where applicable, are to be adhered to.

## 17 **PROXY VOTING**

18 The Board of Trustees recognizes that proxy voting is a fiduciary responsibility and requires that  
19 proxies be voted based on those factors which would enhance the value of the Trust's  
20 investments. The Board of Trustees delegates their authority to vote proxies to the investment  
21 managers employed by the Trust and instructs the managers to maintain accurate voting records  
22 and to vote proxies for the exclusive benefit of the Trust.

## 23 **TYPES OF ASSETS**

24 In order to provide for adequate investment diversification across a broad range of assets, the  
25 following types of assets are approved for investment:

- 26 U.S. Common Stock
- 27 Non U.S. Common Stock
- 28 U.S. Preferred Stock
- 29 Non U.S. Preferred Stock
- 30 U.S. Government and Agency Securities
- 31 Non U.S. Government and Agency Securities
- 32 Corporate Bonds with a minimum BAA rating or the equivalent Municipal Debt

- 1 Convertible Securities
- 2 Commercial Paper
- 3 Money Market Funds
- 4 Mutual Funds (open and closed-end)
- 5 Exchange Traded Funds
- 6 Passive Index Funds
- 7 Commodities Exchange Traded Funds
- 8 1940 Act Alternative Funds – Hedging Strategies
- 9 1940 Act Managed Futures Funds
- 10 Certificate of Deposits

11 *Additional Criteria*

- 12 All fixed income and preferred stock issues shall be investment grade and dollar denominated.  
13 Mutual fund investment shall have investment objectives, rules, and regulations that are  
14 consistent with the Trust's Investment Policy. All assets selected for the Trust shall have a  
15 readily ascertainable market value and be readily marketable.

16 *Prohibited Investments*

- 17 Investment managers are prohibited from using the following assets and/or transactions:

- 18 Uncovered Options – Puts or Calls
- 19 Short Selling
- 20 Restricted Stock
- 21 Other Derivative Securities not specifically approved above

22 **CASH & CASH EQUIVALENTS**

- 23 All cash, wherever and whenever possible, should be invested in interest bearing instruments.  
24 These investments should have stable pricing and instant liquidity.

25 **INVESTMENT MARKETS – EQUITY SECURITIES**

- 26 In order to broaden the investment opportunities for the investment manager(s) to achieve  
27 specific objectives, the managers are permitted to invest in equity securities listed on the New  
28 York Stock Exchange, the American Stock Exchange, principal regional exchanges, and in over-  
29 the-counter securities for which there is a strong market providing ready liquidity of the specific  
30 security.

1 The Board of Trustees believes it is necessary and desirable that equity securities held by the  
2 Trust represent a diversified portfolio. In this regard, the Finance Committee and Investment  
3 Consultant will select and continue to monitor equity investment managers that have  
4 diversification and risk management strategies that are consistent with this focus.

## 5 **INVESTMENT MARKETS – FIXED INCOME SECURITIES**

6 In order to broaden the investment opportunities for the investment manager(s) to achieve  
7 specific objectives, the managers are permitted to invest in fixed income issues offered in both  
8 primary and secondary markets. Fixed income securities may include bonds, notes, and pass-  
9 through securities issued or guaranteed by the U.S. Government or its agencies, corporate bonds,  
10 notes, debentures, or asset-backed securities. Should the rating on a debt or preferred stock  
11 security purchased subsequently fall below the minimum BAA (or equivalent) rating, a sale of  
12 the issue shall be required except as warranted by investment considerations.

13 The Board of Trustees believes it is necessary and desirable that fixed income securities held by  
14 the Trust represent a diversified portfolio. In this regard, the Finance Committee and Investment  
15 Consultant will select and continue to monitor fixed income investment managers that have  
16 diversification and risk management strategies that are consistent with this focus.

---

### Legal References

1. TCA 35-14-101 *et seq.*

## Custom Report

Prepared on January 28, 2022 for:  
**TSBA OPEB TRUST**

TAMMY GRISSOM TTEE  
TSBA OPEB TRUST U/T/A DTD  
11/05/2012  
525 BRICK CHURCH PARK DRIVE  
NASHVILLE TN 37207-3219

### The Cap IV Group

#### Christopher Sigmund

Financial Advisor  
Certified Investment Management Analyst (SM)  
Tel: +1 615 298-6557  
[Chris.Sigmund@morganstanley.com](mailto:Chris.Sigmund@morganstanley.com)

#### Lee Burklow

Financial Advisor  
Senior Vice President  
Tel: +1 615 298-6556  
[Lee.Burklow@morganstanley.com](mailto:Lee.Burklow@morganstanley.com)

#### Shelly Patterson

Senior Registered Associate  
Tel: +1 615 298-6559  
[Shelly.Patterson@morganstanley.com](mailto:Shelly.Patterson@morganstanley.com)

#### Christopher Long

Portfolio Associate  
Tel: +1 615 269-2455  
[Chris.Long@morganstanley.com](mailto:Chris.Long@morganstanley.com)

#### Your Branch:

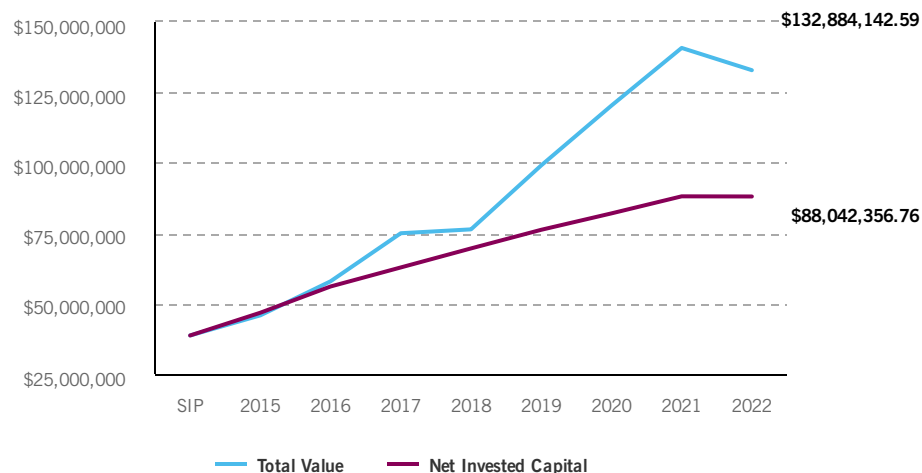
3102 WEST END AVE STE 200  
NASHVILLE, TN 37203

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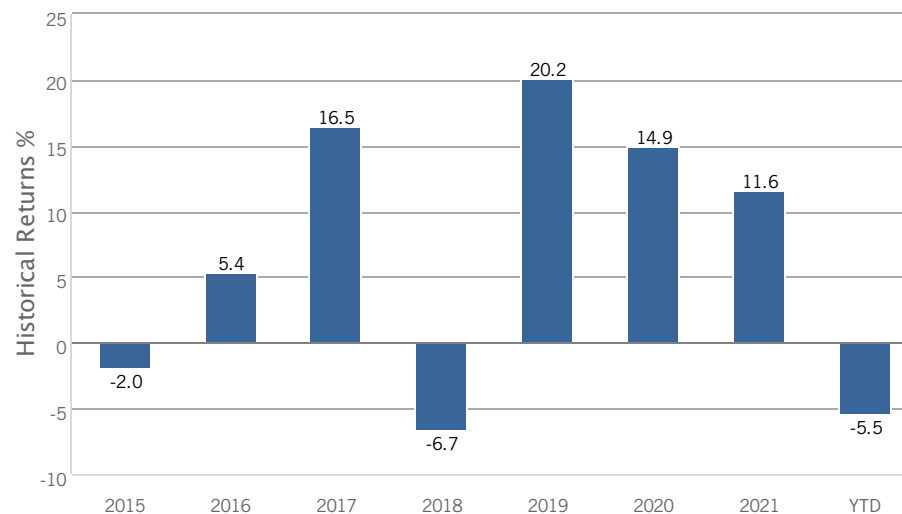
Please review the disclosures and definitions throughout this Document.  
 Various sub-sections of this Document may not contain information on all accounts/positions covered in this Document

## TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

## DOLLAR-WEIGHTED PERIOD RETURN % (NET OF FEES)

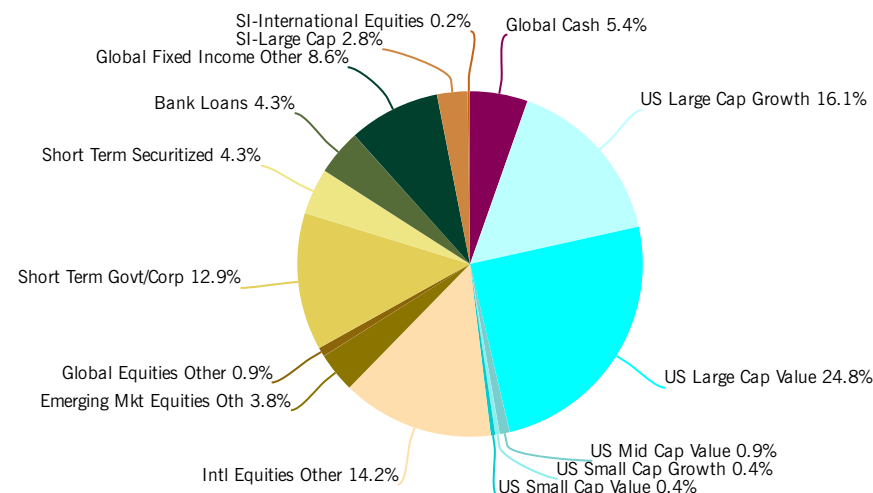


Does not include Performance Ineligible Assets.

## DOLLAR-WEIGHTED RETURN % (NET OF FEES)

	Year to Date (\$) 12/31/21-01/27/22	Previous Year (\$) 12/31/20-12/31/21	Performance Inception (\$) 06/09/15-01/27/22
<b>Beginning Total Value</b>	140,794,592	120,311,869	38,680,482
Net Contributions/Withdrawals	-48,891	6,054,330	49,361,875
Investment Earnings	-7,861,558	14,428,393	44,841,786
<b>Ending Total Value</b>	<b>132,884,143</b>	<b>140,794,592</b>	<b>132,884,143</b>
<b>DOLLAR WEIGHTED RATE OF RETURN (%)</b> (Annualized for periods over 12 months)			
Return % (Net of Fees)	-5.58	11.68	8.13
CPI	-	7.04	-

## ASSET ALLOCATION



The investment returns shown on this page are dollar-weighted measurements which are affected by the timing and amount of your contributions and withdrawals.

## Investment Policy Range

**General Policy:** The Trust's investment philosophy is that assets should be allocated with the goal of producing the highest total return consistent with prudent financial management. Unless otherwise specified by individual fund objectives, this philosophy should be adhered to within the constraints of the following asset allocation ranges:

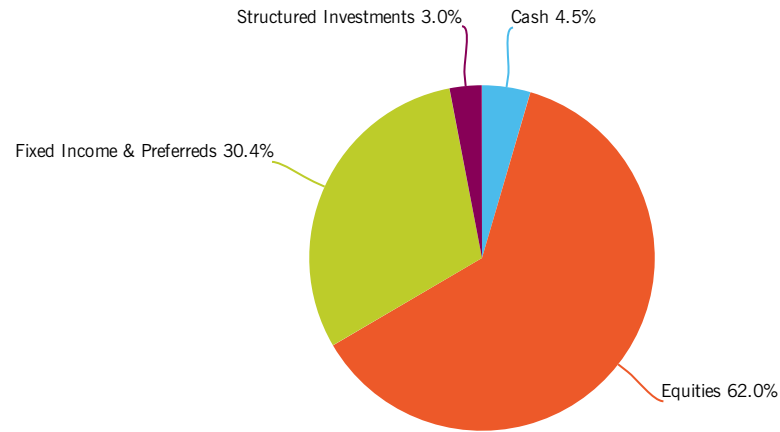
	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity Investments	70%	35%
Fixed Income Investments	65%	20%
Cash & Equivalents	35%	0%
Alternative Investments – 40 Act Funds	15%	0%
Hedging Strategies		
Commodities ETF's		
Managed Futures Funds		

**Exceptions for Individual Funds:** In cases where individual fund objectives require an exception to the above asset allocation ranges, written statements detailing the policy for each specific fund will be provided as Supplements to this Investment Policy.

**Asset Allocation Targets:** From time to time the Finance Committee will determine specific asset allocation targets that it feels are best suited for accomplishing the above total return objective. These specific asset allocation targets will be communicated to individual investment managers in writing, and within a reasonable time frame, managers are expected to reallocate assets in order to comply with the target ranges established by the Committee. In the absence of specific asset allocation targets from the Trust, individual managers will have the direct responsibility for setting and maintaining an asset mix that they feel will best accomplish the Trust's total return objective. At all times, and in all cases, however, the above maximum and minimum limits, or where applicable, specific individual fund maximum and minimum limits, are to be adhered to.

The information in this report is based on data supplied by you and is intended to be used as a guide for your financial strategy. The information and data were obtained from sources deemed reliable. Their accuracy or completeness is not guaranteed and is subject to change with current market conditions. There is no guarantee that the figures presented will be attainable in the future. Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not offer tax advice. Individuals should consult their personal tax advisor before many any tax-related investment decisions.

ASSET ALLOCATION - ASSET CLASS



ASSET ALLOCATION

	Total Value (\$) 12/31/2021	% of Portfolio 12/31/2021
Cash	6,386,827.77	4.5
Equities	87,257,359.29	62.0
Fixed Income & Preferreds	42,798,933.28	30.4
Structured Investments	4,239,976.66	3.0
<b>TOTAL PORTFOLIO</b>	<b>140,683,097.00</b>	<b>100.0</b>

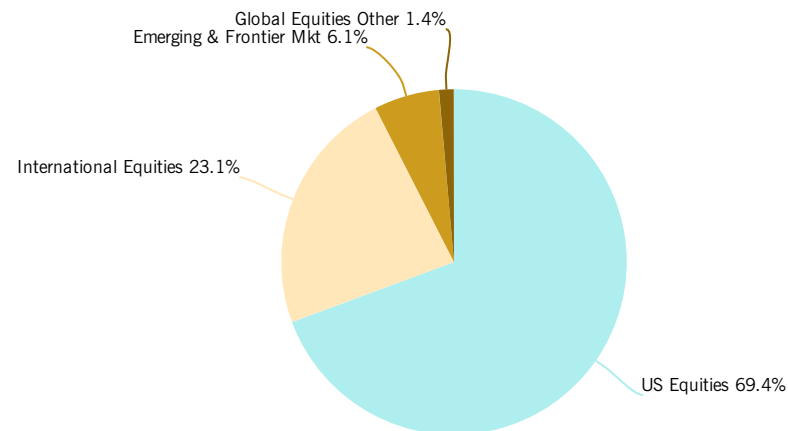
TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## TOP EQUITY POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 01/27/2022	% of Equities 01/27/2022
PGIM JENNISON GROWTH Z	10,017,404.36	12.3
ISHARES CORE S&P U.S. GROWTH	8,863,177.20	10.8
ISHARES CORE S&P U.S. VALUE	7,622,448.60	9.3
ISHARES CORE MSCI EAFE ETF	7,614,527.47	9.3
BLACKROCK HIGH EQ INCOME INST	7,606,250.94	9.3
OAKMARK FUND INSTITUTIONAL	7,580,806.51	9.3
JOHN HANCOCK DISPLND VAL INST	7,572,370.05	9.3
AMERICAN EUROPACIFIC GRW F2	6,265,527.98	7.7
VANGUARD INDEX FDS S&P 500 ETF	5,075,712.00	6.2
THORNBURG INTL GROWTH I	5,033,740.30	6.2
<b>Top Equity Positions</b>	<b>73,251,965.41</b>	<b>89.6</b>
<b>Other Equity Positions</b>	<b>8,489,141.40</b>	<b>10.4</b>
<b>Total Equities</b>	<b>81,741,106.81</b>	<b>100.0</b>

## ASSET ALLOCATION - EQUITIES



## ASSET ALLOCATION - EQUITIES

	% of Equities 01/27/2022	Total Value (\$) 01/27/2022	% of Portfolio 01/27/2022
<b>US Equities</b>	<b>69.4</b>	<b>56,691,126.54</b>	<b>42.7</b>
US Large Cap Growth	26.2	21,418,437.56	16.1
US Large Cap Value	40.3	32,919,732.10	24.8
US Mid Cap Value	1.5	1,257,186.66	0.9
US Small Cap Growth	0.7	547,885.11	0.4
US Small Cap Value	0.7	547,885.11	0.4
<b>International Equities</b>	<b>23.1</b>	<b>18,913,795.75</b>	<b>14.2</b>
Intl Equities Other	23.1	18,913,795.75	14.2
<b>Emerging &amp; Frontier Mkt</b>	<b>6.1</b>	<b>4,992,808.58</b>	<b>3.8</b>
Emerging Mkt Equities Oth	6.1	4,992,808.58	3.8
<b>Global Equities Other</b>	<b>1.4</b>	<b>1,143,375.94</b>	<b>0.9</b>
Global Equities Other	1.4	1,143,375.94	0.9

TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## ASSET ALLOCATION - EQUITIES (Continued)

	% of Equities 01/27/2022	Total Value (\$) 01/27/2022	% of Portfolio 01/27/2022
<b>TOTAL EQUITIES</b>	<b>100.0</b>	<b>81,741,106.81</b>	<b>61.5</b>

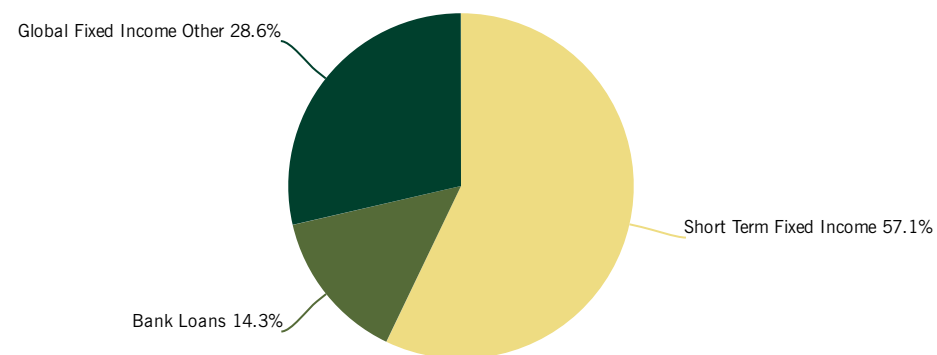
TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## TOP FIXED INCOME &amp; PREFERRED POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 01/27/2022	% of Fixed Income & Preferreds 01/27/2022
PGIM SHORT-TERM CORP BOND Z	22,780,443.71	57.1
PERFORMANCE TRUST STRAT BD I	11,411,847.31	28.6
PUTNAM FLOATING RATE INC Y	5,693,159.54	14.3
<b>Top Fixed Income &amp; Preferred Positions</b>	<b>39,885,450.56</b>	<b>100.0</b>
<b>Other Fixed Income &amp; Preferred Positions</b>	-	-
<b>Total Fixed Income &amp; Preferred</b>	<b>39,885,450.56</b>	<b>100.0</b>

## ASSET ALLOCATION - FIXED INCOME &amp; PREFERRED



## ASSET ALLOCATION - FIXED INCOME &amp; PREFERREDS

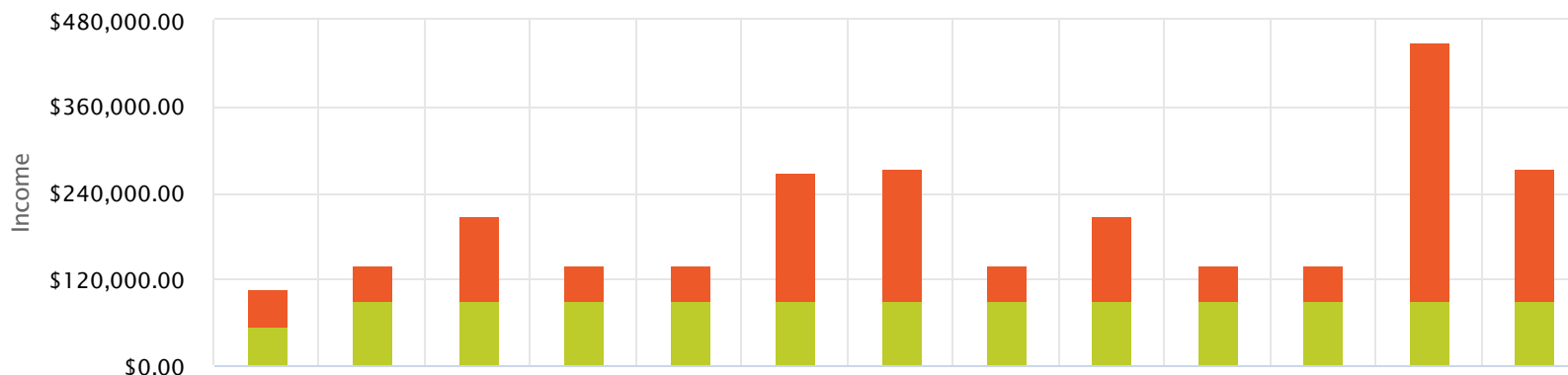
	% of Fixed Income & Preferreds 01/27/2022	Total Value (\$) 01/27/2022	% of Portfolio 01/27/2022
Short Term Fixed Income	57.1	22,780,443.71	17.1
Bank Loans	14.3	5,693,159.54	4.3
Global Fixed Income Other	28.6	11,411,847.31	8.6
<b>TOTAL FIXED INCOME &amp; PREFERREDS</b>	<b>100.0</b>	<b>39,885,450.56</b>	<b>30.0</b>

# PROJECTED 12 MONTH INCOME SUMMARY

TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## 12 MONTH INCOME SUMMARY

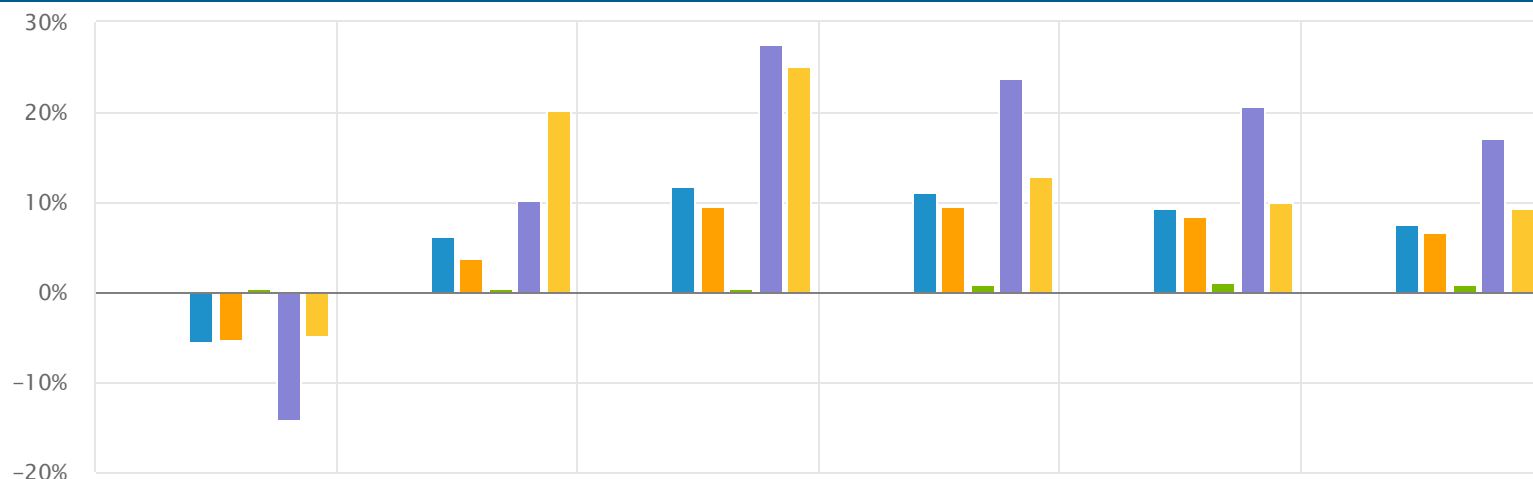


Asset Class	Total Value (\$) 01/27/2022	01/28/22 to 01/31/22 (\$)	Projected Income (\$) (02/01/22 - 01/31/23)												% Yield	
			Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		Total
Cash	7,196,632	53	53	53	53	53	53	53	53	53	53	53	53	53	633	0.01
Equities	81,741,107	50,337	49,749	119,518	49,749	49,749	179,592	183,846	49,749	119,518	49,749	49,749	360,587	183,846	1,445,988	1.77
Fixed Income & Preferreds	39,885,451	55,706	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	89,680	1,076,160	2.70
Structured Investments	4,061,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>132,884,190</b>	<b>106,095</b>	<b>139,482</b>	<b>209,251</b>	<b>139,482</b>	<b>139,482</b>	<b>269,325</b>	<b>273,579</b>	<b>139,482</b>	<b>209,251</b>	<b>139,482</b>	<b>139,482</b>	<b>450,320</b>	<b>273,579</b>	<b>2,522,781</b>	<b>1.90</b>

Projected Income is calculated only for holdings where data is available.

In instances whereby payment frequency and/or last payment date is not available, income is based on the current dividend or coupon rate, and will be displayed in the Total column only.

## RETURN % (NET OF FEES) VS. BENCHMARKS (ANNUALIZED)



	Quarter to Date 12/31/21 - 01/27/22	Last 12 Months 01/31/21 - 01/27/22	Previous Year 12/31/20 - 12/31/21	Last 3 Years 01/31/19 - 01/27/22	Last 5 Years 01/31/17 - 01/27/22	Performance Inception 06/09/15 - 01/27/22
Beginning Total Value (\$)	140,794,592.31	119,793,451.15	120,311,869.44	81,251,100.95	59,145,642.37	38,680,482.15
Net Contributions/Withdrawals (\$)	-48,891.36	5,900,266.01	6,054,329.97	18,482,893.04	31,794,649.64	49,361,874.61
Investment Earnings (\$)	-7,861,558.36	7,190,425.43	14,428,392.90	33,150,148.60	41,943,850.57	44,841,785.82
Ending Total Value (\$)	132,884,142.59	132,884,142.59	140,794,592.31	132,884,142.59	132,884,142.59	132,884,142.59
Return % (Net of Fees)	-5.59	6.14	11.84	11.01	9.28	7.63
TN TSBA Composite (%)	-5.37	3.86	9.60	9.57	8.43	6.59
FTSE T-Bills 30 Day (%)	0.00	0.04	0.04	0.83	1.06	0.83
Russell 1000 Gr (%)	-14.26	10.22	27.60	23.87	20.77	17.20
Russell 1000 Value (%)	-4.82	20.23	25.16	12.92	9.94	9.44
Barclays Aggregate (%)	-2.20	-3.01	-1.54	3.67	3.08	2.86

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

## POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

As of January 27, 2022 | Reporting Currency: USD

## RETURN % (GROSS OF FEES) (ANNUALIZED)

Product/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/21 - 01/27/22	Previous Year (%) 12/31/20 - 12/31/21	Last 3 Years (%) 01/31/19 - 01/27/22	Since Inception (%)	% of Portfolio
<b>Total Portfolio (Gross of Fees)</b>		<b>06/09/2015</b>	<b>132,884,142.59</b>	<b>-5.57</b>	<b>12.03</b>	<b>11.19</b>	<b>7.81</b>	<b>100.00</b>
<i>TN TSBA Composite</i>				<b>-5.37</b>	<b>9.60</b>	<b>9.57</b>	<b>6.59</b>	
<b>Stock / Options</b>								
BCS PLUS SPX 23JN05(SQDNQ)	Multiple	11/30/2020	1,183,026.00	-2.61	9.93	-	3.95	0.89
CS JUMP UKX 26JL23(SQFDE)	Multiple	07/20/2021	274,948.46	0.10	-	-	1.30	0.21
GS PLUS SPX 24FB05(SQFDJ)	Multiple	07/30/2021	1,252,993.80	-4.96	-	-	-4.86	0.94
GS PLUS SPX 24MY03(SQFSK)	Multiple	10/29/2021	1,350,031.87	-5.73	-	-	-7.03	1.02
<b>Exchange Traded/ Closed End Funds</b>								
ISHARES CORE MSCI EAFE ETF(IEFA)	Multiple	11/28/2018	7,614,527.47	-5.70	11.46	9.32	9.33	5.73
ISHARES CORE S&P U.S. GROWTH(IUSG)	Multiple	11/28/2018	8,863,177.20	-13.71	31.19	22.01	21.10	6.67
ISHARES CORE S&P U.S. VALUE(IUSV)	Multiple	11/28/2018	7,622,448.60	-4.25	25.23	13.67	12.91	5.74
NEUBERGER BERMAN NEXT GEN FUND(NBXG)	Multiple	05/26/2021	1,143,375.94	-17.97	-	-	-27.08	0.86
VANGUARD INDEX FDS S&P 500 ETF(VOO)	Multiple	02/22/2016	5,075,712.00	-9.17	28.78	18.74	16.39	3.82
<b>Mutual Funds</b>								
AMERICAN EUROPACIFIC GRW F2(AEPFX)	Multiple	07/14/2015	6,265,527.98	-10.13	2.94	10.75	6.48	4.72
BLACKROCK HIGH EQ INCOME INST(BMCIX)	Multiple	09/02/2015	7,606,250.94	-0.23	22.69	12.81	9.46	5.72
DWS SMALL CAP CORE S(SSLCX)	Multiple	02/20/2018	1,095,770.22	-12.68	41.15	15.18	11.18	0.82
JOHN HANCOCK DISPLND VAL INST(JVLIX)	Multiple	07/24/2018	7,572,370.04	-2.26	29.87	13.25	9.68	5.70
LAZARD EMERG MKTS CORE EQ I(ECEIX)	Multiple	07/07/2021	4,992,808.58	-4.11	-	-	-15.53	3.76
OAKMARK FUND INSTITUTIONAL(OANMX)	Multiple	07/12/2021	7,580,806.52	-3.33	-	-	2.17	5.70
PERFORMANCE TRUST STRAT BD I(PTIAX)	Multiple	01/26/2021	11,411,847.31	-1.74	-	-	-0.44	8.59

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## POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

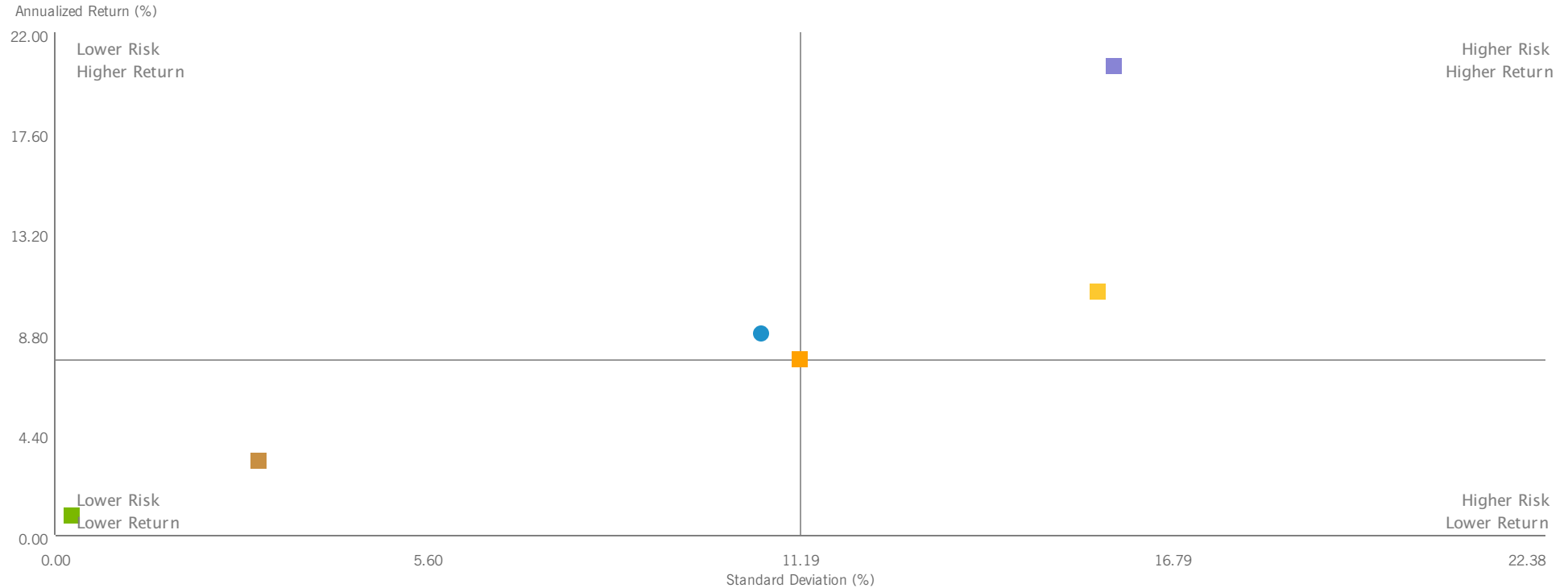
As of January 27, 2022 | Reporting Currency: USD

## RETURN % (GROSS OF FEES) (ANNUALIZED) (Continued)

Product/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/21 - 01/27/22	Previous Year (%) 12/31/20 - 12/31/21	Last 3 Years (%) 01/31/19 - 01/27/22	Since Inception (%)	% of Portfolio
PGIM JENNISON GROWTH Z(PJFZX)	Multiple	09/02/2015	10,017,404.38	-18.63	16.03	20.50	16.97	7.54
PGIM SHORT-TERM CORP BOND Z(PIFZX)	Multiple	09/02/2015	22,780,443.71	-1.43	-0.44	2.99	2.42	17.14
PUTNAM FLOATING RATE INC Y(PFRYX)	Multiple	05/03/2017	5,693,159.55	0.00	3.18	3.09	2.99	4.28
THORNBURG INTL GROWTH I(TINGX)	Multiple	09/02/2015	5,033,740.30	-12.07	-4.24	9.57	7.71	3.79
VICTORY RS VALUE Y(RSVYX)	Multiple	09/02/2015	1,257,186.68	-5.29	28.14	12.06	9.39	0.95
<b>Cash, MMF and Bank Deposits</b>								
BANK DEPOSIT PROGRAM(BDPS)	Multiple	06/18/2015	6,330,571.97	-	-	-	-	4.76
Cash(0000MONEY)	Multiple	06/17/2015	866,013.08	-	-	-	-	0.65

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RETURN % (NET OF FEES) AND VOLATILITY VS. BENCHMARKS



	Return % (Net of Fees) 06/30/15-12/31/21	Standard Deviation (%) 06/30/15-12/31/21
● Portfolio	8.82	10.60
■ TN TSBA Composite	7.71	11.19
■ FTSE T-Bills 30 Day	0.85	0.25
■ Russell 1000 Gr	20.50	15.90
■ Russell 1000 Value	10.62	15.66
■ Barclays Aggregate	3.25	3.06

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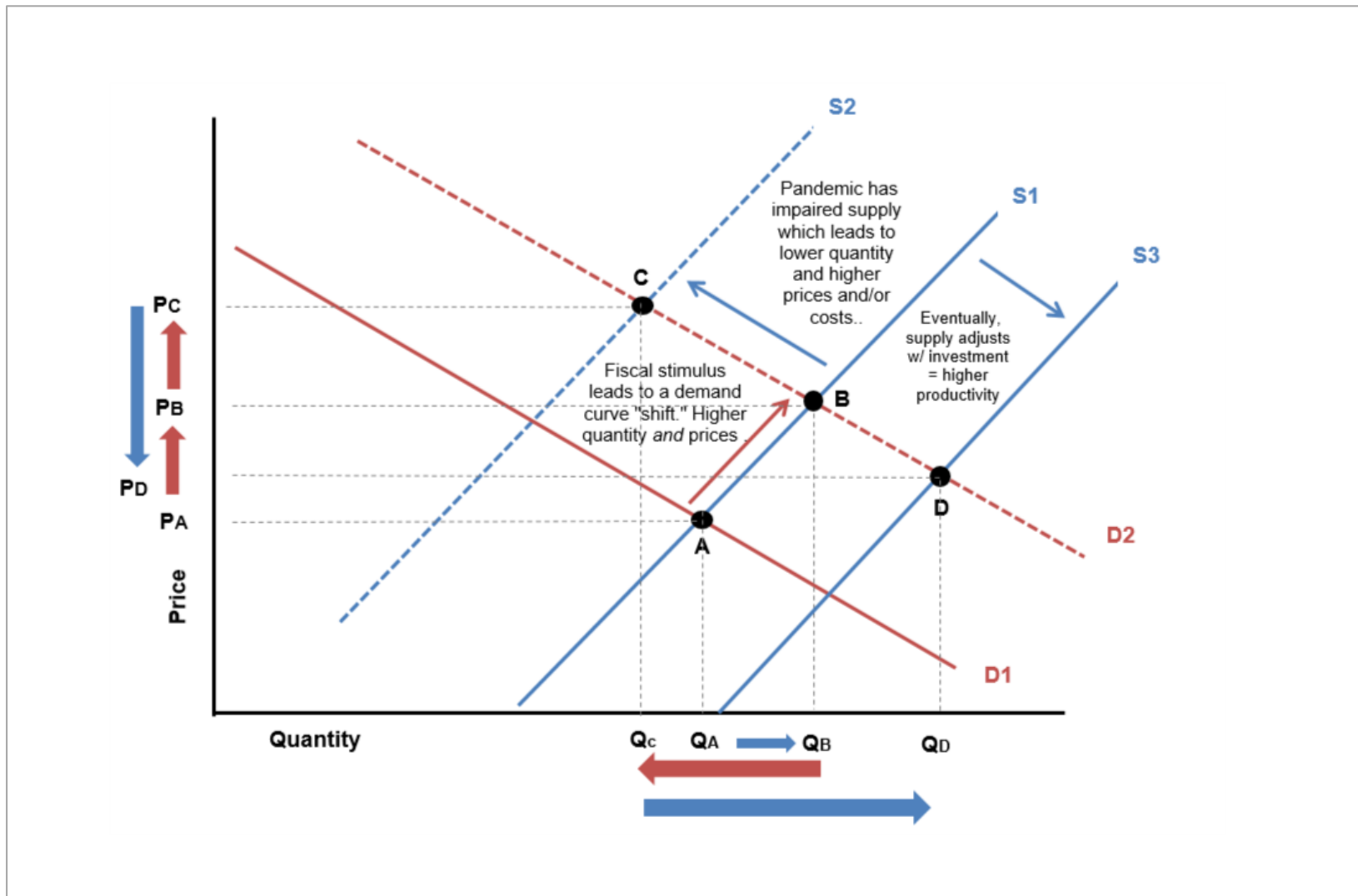
## Tighter Financial Conditions Should Provide Opportunities in 1H2022

- **Mid-Cycle Transition Has Further De-rating:** The mid-cycle transition has been well established at this point as well as the de-rating of asset prices. However, it remains incomplete, in our view, with another 15% decline in P/Es expected. Peak rate of change in policy and economic/earnings growth has typically coincided with more conservative investment and has ended with a broader equity market correction. This is the classic mid-cycle transition that has accompanied recoveries from recession. Think 1994, 2004, 2011. So far, we have experienced a rolling correction across many asset categories as the breadth of the equity market remains exceptionally weak. We expect the next and final stage of this rolling correction to end with a 10%-15% correction in the S&P 500 and Nasdaq.
- **Peaking Rates of Change Matter.** The peak rate of change in fiscal policy, Fed balance sheet, M2, economic and earnings growth we expected has arrived. We identify such peaks as the mid-cycle transition phase of the economic/market cycle. The lower-quality and more speculative parts of the financial markets have already underperformed, with many down 20%-50%.
- **The “Final Chapter” Likely Ends with Fire *and* Ice.** With the Fed indicating it will taper asset purchases on a more aggressive timeline, both real and nominal rates began to move higher along with the US dollar. This is a distinct tightening of financial conditions and has weighed on equity markets since November. We think there is still more downside to valuations from this “fire” and we expect growth to disappoint expectations—i.e., “ice.” PMIs and earnings revisions will be the key to how long and deep this correction lasts.
- **Upgrade to Quality and Value but with a More Defensive Skew.** The mid-cycle transition comes with a shift in equity market leadership. Higher-quality stocks tend to outperform. We downgraded small caps and early-cycle sectors in March while upgrading quality to reflect this view. We now favor a more defensive skew in what could be a greater slowdown than markets expect. Barbell it with small-cap value stocks.
- **Inflation Is the Key to the Secular Bull Market for Stocks and Secular Bear Market for Bonds.** The shift in policy from monetary to fiscal dominance is a significant change that has implications for our asset allocation recommendations. A US recession was always a necessary condition for this outcome and the health-crisis nature of this event further supported this regime shift. Finally, other inflationary trends were well established before the latest recession began—populism, nationalism, de-globalization, and a sign that the US dollar may either lose or have to share its reserve currency status. One party control of the US government tends to accelerate and implement these policy changes.
- **We Lowered Our Equity Allocations and Raised Our Bond Allocations in May and Again in September.** As both monetary and fiscal policy normalizes, we expect a broader equity market correction due to either tighter financial conditions, i.e., “fire,” or due to a more significant growth disappointment, i.e., “ice.” Despite this risk for near-term pullback in equities, we are still overweight on a 12-month basis. We also recommend owning some commodities and real estate as an inflation hedge. Avoid profitless growth stocks as valuations remain at risk from tightening financial conditions—i.e., the “Fire.” Be patient with new capital commitments and use pullbacks around peaking rates of change as buying opportunities for cyclicals, growth at a reasonable price, and international stocks.

Source: Morgan Stanley & Co. Research. M2 is a measure of the money supply that includes all elements of M1 as well as “near money.” M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds and other time deposits.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

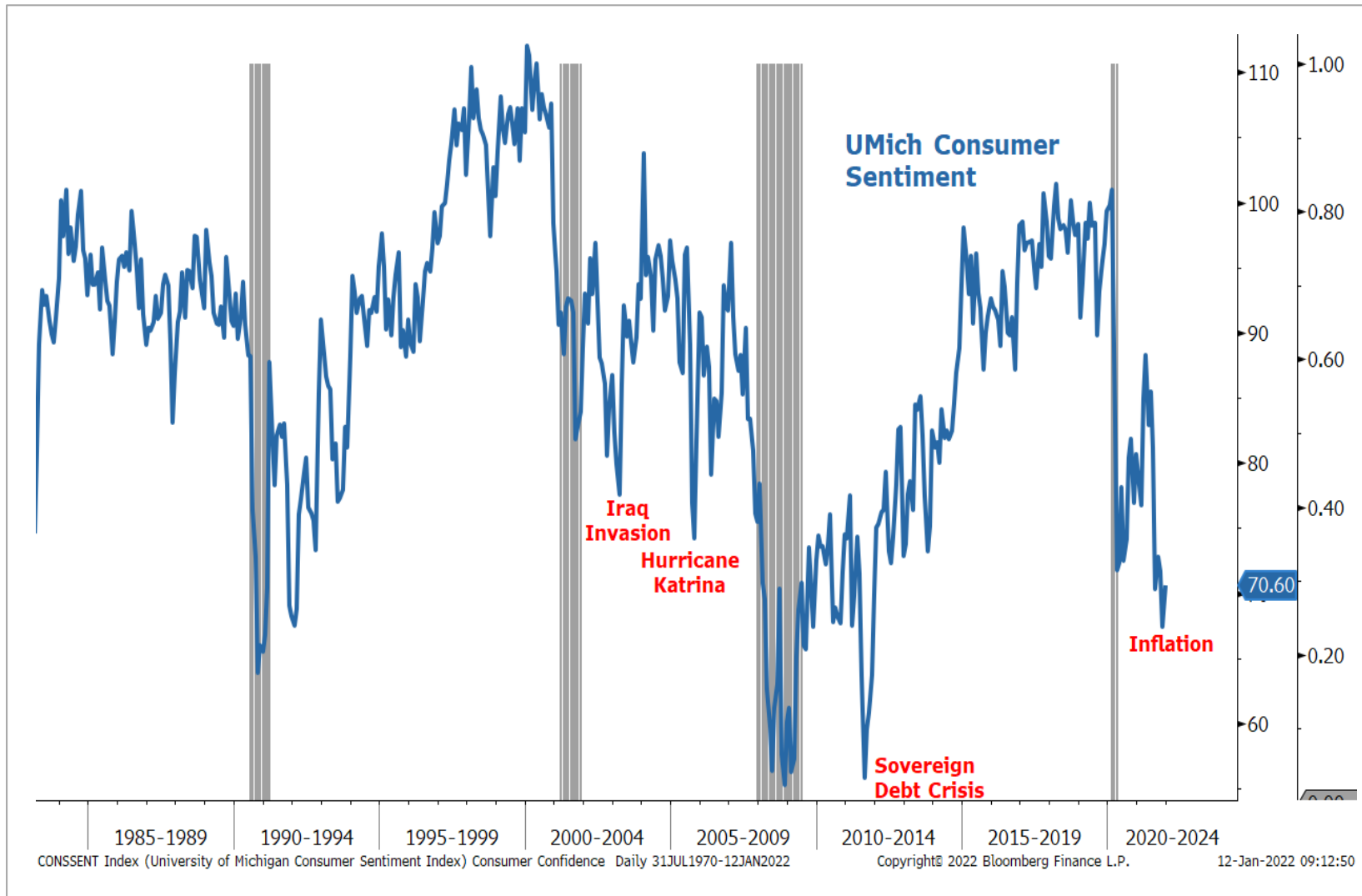
# Has COVID + the Policy Response Impaired the Economy in the Short Term?



Source: Morgan Stanley & Co. Research

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# Consumer Confidence Has Collapsed Due to Inflation ...



Source: Bloomberg, Morgan Stanley & Co. Research as of January 12, 2022

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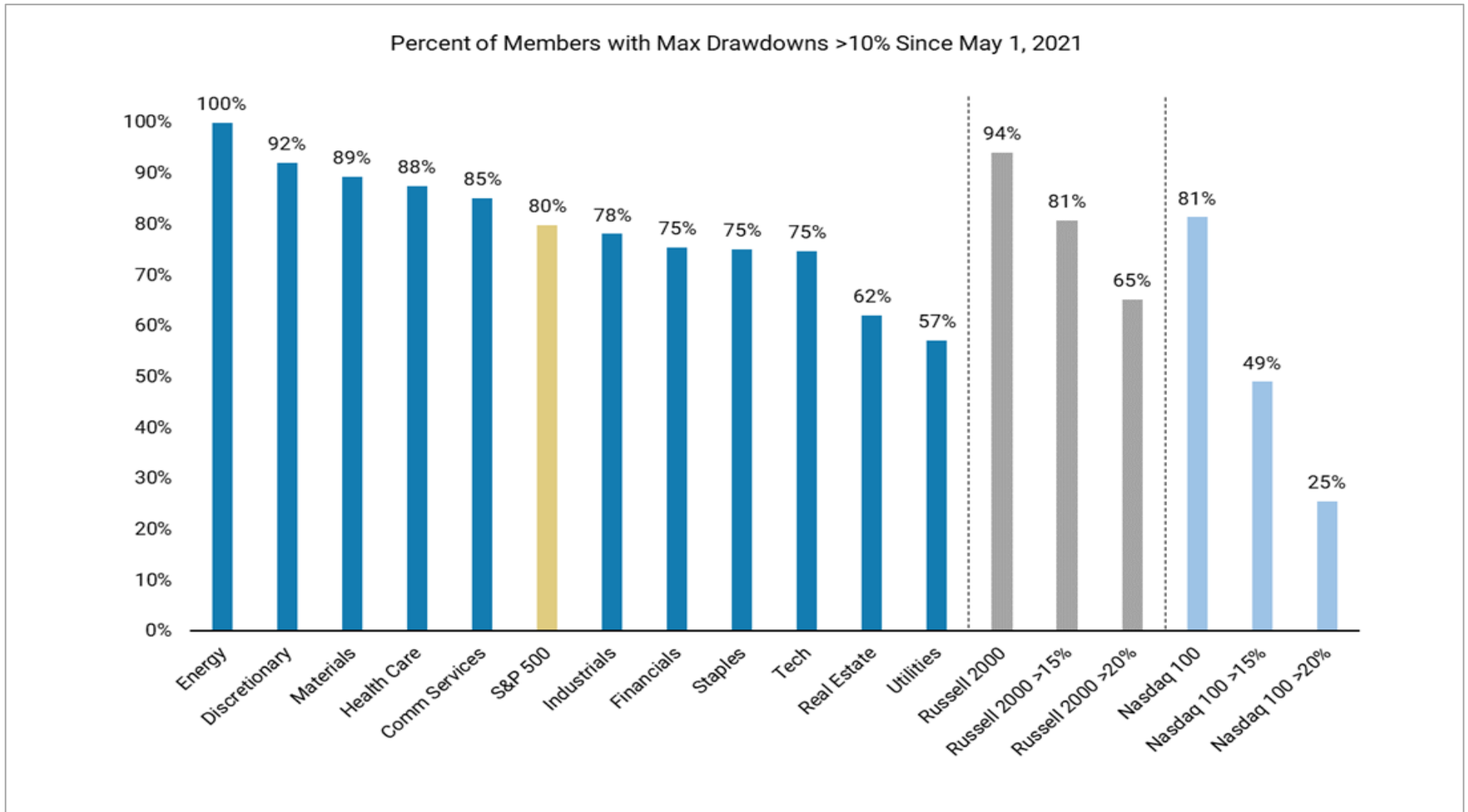
# The Good News: Consumer Has Savings to Tap Into—Will It Continue?



Source: Bloomberg, Morgan Stanley & Co. Research as of December 7, 2021

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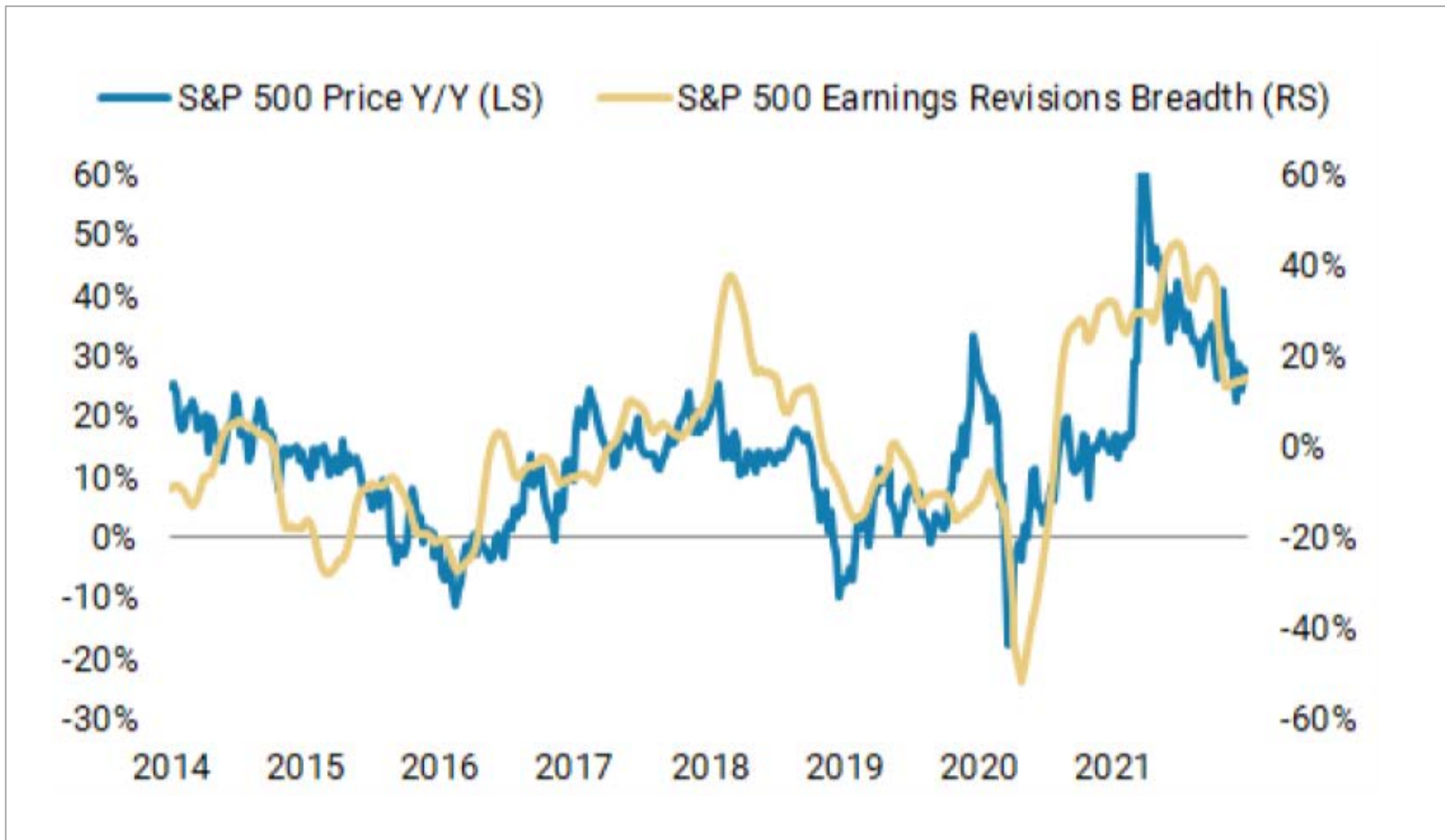
# Mid-Cycle Transition Correction Under the Surface but Not at Index Level...Yet



Source: Bloomberg, Morgan Stanley & Co. Research

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## Good News: Earnings Revision Breadth Still Supportive of S&P 500 Price



Source: Bloomberg, Morgan Stanley & Co. Research as of January 12, 2022. Earnings revisions breadth is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.

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## ACCOUNT(S) INCLUDED IN THIS REPORT

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Reporting Currency: USD

## MORGAN STANLEY WEALTH MANAGEMENT

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 01/27/22	Total Value (\$) 01/27/22	% of Portfolio 01/27/22
ARLINGTON CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX385	02/18/20	-	1.41	152,229.27	0.12
ARLINGTON CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX901	06/17/15	-	7.81	3,784,300.54	2.85
BARTLETT CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX383	02/18/20	-	1.55	186,141.01	0.14
BARTLETT CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX902	06/17/15	-	7.88	4,580,759.60	3.45
Collierville City - Alternative Invest. 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX396	02/18/20	-	1.62	81,765.03	0.06
COLLIERVILLE CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX903	06/17/15	-	7.68	1,960,534.85	1.48
HICKMAN CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX866	06/03/15	-	7.84	2,612,169.82	1.97
Hickman Co. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX388	02/18/20	-	1.70	108,897.89	0.08
JACKSON-MADISON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX864	06/03/15	-	7.82	475,182.44	0.36
JACKSON-MADISON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX403	02/18/20	-	1.60	19,440.85	0.02

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## ACCOUNT(S) INCLUDED IN THIS REPORT

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Reporting Currency: USD

## MORGAN STANLEY WEALTH MANAGEMENT (Continued)

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 01/27/22	Total Value (\$) 01/27/22	% of Portfolio 01/27/22
JOHNSON CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX869	06/03/15	-	7.83	1,292,455.15	0.97
JOHNSON CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX398	02/18/20	-	1.76	53,965.93	0.04
Lakeland City - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX393	02/18/20	-	1.67	82,977.47	0.06
LAKELAND CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX900	06/17/15	-	7.67	2,040,403.11	1.54
MILLINGTON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX583	07/05/16	-	9.30	360,975.43	0.27
MILLINGTON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX409	02/18/20	-	1.61	14,724.98	0.01
SHELBY CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX863	06/03/15	-	7.79	110,347,716.81	83.04
SHELBY CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX380	02/18/20	-	3.52	4,729,549.36	3.56
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX865	06/03/15	07/20/15	-	0.00	0.00
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX925	06/23/15	07/20/15	-	0.00	0.00

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**ACCOUNT(S) INCLUDED IN THIS REPORT**

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Reporting Currency: USD

**MORGAN STANLEY WEALTH MANAGEMENT (Continued)**

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 01/27/22	Total Value (\$) 01/27/22	% of Portfolio 01/27/22
<b>Morgan Stanley Wealth Management Total</b>							<b>132,884,189.54</b>	<b>100.00</b>
<b>Total Portfolio</b>							<b>132,884,189.54</b>	<b>100.00</b>

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## DISCLOSURES

**Explanatory Notes and Disclosures:** This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

For convenience purposes, your Financial Advisor may have assigned a designated name for this Document. The list of the accounts covered in this document is noted herein and may not include all of your accounts with us or external custodians. Furthermore, the information included in this document may not include all asset classes/securities/liabilities held by you at the firm or external custodians. Please review this document carefully and discuss any questions you may have with your Financial Advisor. If you do not understand an entry, suspect an error, or want more details on current values or other information, contact your Financial Advisor. This document is based upon your Morgan Stanley account holdings and may include other holdings/information that you or a third party provided about assets custodied elsewhere. Morgan Stanley will not verify any other holdings/information. If any information reflects assets held away from Morgan Stanley that will be indicated. The information contained in this document is subject to, and does not supersede the confirmations and account statements you receive from us. Values shown in your official account statement may differ from the values shown in this document due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your official account statement and this document, rely on your official account statement.

The information in this document is approximate and subject to updating, correction and other changes. We are not obligated to notify you if information changes. Although the statements of fact and data in this document have been obtained from, and are based upon sources that we believe to be reliable, we do not guarantee their accuracy, or timeliness, and any such information may be incomplete or condensed. Percentage values shown in this document are subject to rounding, which may impact total values. The values of securities and other investments not actively traded may be estimated or may not be available.

This information is provided for informational purposes only and should not be used for tax preparation. The information reported on your Form(s) 1099 supersedes the information provided in this report and should be exclusively relied upon for tax preparation. Morgan Stanley, its affiliates and its employees are not in the business of providing tax or legal advice. Clients should seek advice based on their particular circumstances from an independent tax and legal advisor. Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments.

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**Money Market Fund:** You could lose money in Money Market Funds (MMFs). Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.

**AAA Accounts:** The Active Assets Account is a brokerage account offered through Morgan Stanley Smith Barney LLC.

**Consulting Group Advisory Accounts:** Consulting Group is a business of Morgan Stanley Smith Barney LLC.

**Important Regulation Best Interest Information:** This report is being provided as a courtesy. By providing this report, we do not represent or agree that we will monitor the investments in your brokerage account(s) or deliver future reports.

Residential Mortgage loan information is excluded from this report. Please contact your Morgan Stanley team for more information.

**Additional information about your Floating Rate Notes:** For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

**Important Information About Auction Rate Securities:** For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

**Important Pricing Information:** Prices of securities not actively traded may not be available, and are indicated by a dash "-". Account values are based on the most recent security pricing available and may be prior to the date of this material.

**Asset Classification:** We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain

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characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

**Morgan Stanley Wealth Management:** Morgan Stanley Wealth Management (custodian type "Morgan Stanley Wealth Management") is a registered trade name of Morgan Stanley Smith Barney LLC.

**Additional information about your Structured Products:** Structured Investments are complex products and may be subject to special risks, which may include, but are not limited to: loss of initial investment; issuer credit risk and price volatility resulting from any actual or anticipated changes to issuer's and/or guarantor's credit ratings or credit spreads; limited or no appreciation and limits on participation in any appreciation of underlying asset(s); risks associated with the underlying reference asset(s); no periodic payments; call prior to maturity; early redemption fees for market linked deposits; lower interest rates and/or yield compared to conventional debt with comparable maturity; unique tax implications; limited or no secondary market; and conflicts of interest due to affiliation, compensation or other factors which could adversely affect market value or payout to investors. Investors also should consider the concentration risk of owning the related security and their total exposure to any underlying asset.

**Morgan Stanley & Co.:** Morgan Stanley & Co. LLC ("Morgan Stanley & Co.") is an affiliate of Morgan Stanley Smith Barney LLC ("Morgan Stanley Wealth Management") and both are subsidiaries of Morgan Stanley, the financial holding company. Morgan Stanley & Co. values shown on your Morgan Stanley Wealth Management statement may differ from the values shown in your official Morgan Stanley & Co. statement due to, among other things, different reporting methods, delays, market conditions and interruptions. The information shown is approximate and subject to updating, correction and other changes. Information being reported by Morgan Stanley Wealth Management on assets held by other custodians, which are related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from that information provided by the custodian. In performance calculations, the inception date will align with the first date on which Morgan Stanley Wealth Management received account information from the custodian. If there are discrepancies between your official Morgan Stanley & Co. account statement and your Morgan Stanley Wealth Management supplemental client report, rely on the official Morgan Stanley & Co. account statement.

**External Accounts:** "External" generally refers to accounts, assets, and/or liabilities that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("External Accounts"). External Accounts are not under administration or management at Morgan Stanley and are not reflected in your Morgan Stanley account statements. Information related to External Accounts is provided solely as a service to you and your Financial Advisor/Private Wealth Advisor. The information reference is based upon information provided by external sources which we believe to be reliable. However, we do not independently verify this information. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed.

Information related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification, Risk Analysis and Gain/Loss may differ from the information provided by your custodian. External information presented herein is subject to, and does not supersede, the confirmations and account statements provided by your custodian. Values shown in an account statement from your custodian may differ from the values shown here due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. We are not obligated to notify you or your Financial Advisor/Private Wealth Advisor if information changes. In performance calculations, the inception date referenced will reflect the first date on which Morgan Stanley received account information from the custodian. If information on an External Account cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

**Timing of Feeds:** Account and Position data for Morgan Stanley & Co. and External Accounts is obtained from sources that we believe to be reliable. However, Morgan Stanley Wealth management does not guarantee its accuracy or timeliness as such information may be incomplete, condensed, or based on differing points of time. Please refer to the "Last Update Date" for information regarding when the data was last refreshed. You should not take any action relying upon this information without confirming its accuracy and completeness.

**Manually Added assets:** "Manually Added" generally refers to accounts, assets, and/or liabilities, as applicable, that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("Manually Added External Accounts"). The Manually Added External Accounts referenced are generally not held with Morgan Stanley and are not under administration or management at Morgan Stanley. Information about such Manually Added External Accounts is manually inputted, updated and maintained solely by you and/or your Financial Advisor/Private Wealth Advisor. Morgan Stanley may include information about these Manually Added External Accounts solely as a service to you and your Financial Advisor/Private Wealth Advisor. We do not independently verify any information related to your Manually Added External Accounts. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed. Valuations and other information about these assets may be provided by you and/or your Financial Advisor/Private Wealth Advisor and are generally based upon estimates. The information is used for position, asset allocation, and product allocation reporting purposes but is not, however, reflected in your Morgan Stanley account statements. Income values, including Estimated Annual Income and Projected Income, are not calculated for Manually Added External Accounts. Risk Analysis is not

calculated for Manually Added External Accounts. The information being reported by Morgan Stanley on Manually Added External Accounts related to Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from the information provided to you by the custodian of those assets. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. The inception date referenced in this view will reflect the date on which information about the Manually Added External Accounts was input by you and/or your Financial Advisor/Private Wealth Advisor. If information on a Manually Added asset cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

**Performance:** Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, dividends, interest and income. Depending on the opening or closing date of the account or position, the performance referenced may be for a portion of the time period identified. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up-to-date performance information. Past performance is not a guarantee of future results. Quotations of performance appearing in this report may include performance experienced in legacy accounts which have been closed and purged, and as such are not included on the Accounts Included in This Report page.

Market values used for performance calculation do not include Performance Ineligible Assets and thus may differ from asset allocation market values. Common examples of Performance Ineligible Assets include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Unless otherwise indicated, performance is an aggregated composite calculation of the entire portfolio and may include brokerage and investment advisory accounts as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

For Morgan Stanley Smith Barney LLC accounts, performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 or applicable disclosure brochure and any applicable brokerage commission and/or fee schedule for a full disclosure of fees and expenses. Your Financial Advisor will provide those documents to you upon request. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses.

Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

**Sub Account and Security Level Performance:** The performance return methodology described above and in the TWR and IRR definitions applies to both Account Level and Sub-Account (e.g. Asset Class or Security level) performance returns. The inputs consist of market values and net flows.

For example, TWR is calculated by taking the Change in Market Value (Ending MV – Beginning MV) less any net flows, divided by the beginning MV.  $TWR = (Ending\ MV - Beginning\ MV - Net\ Flows) / Beginning\ MV$

The difference lies in what is or is not included in the Market Values and Flows. For account level performance, the total account market values and all flows within the account are taken into account. For sub-account level performance, only those market values and flows associated with the specific securities included are taken into account.

Flows that are not security specific typically include account advisory fees, cash contributions or withdrawals, and any other flows that are not attributed to a specific security.

Flows that are security specific including purchases, sales, dividends, interest, partnership distributions, return of capital, fund sales charges, security transaction fees, and ongoing fund expenses are typically reflected in the security level returns.

**Gross of Fees:** The impact of program fees can be material. These program fees are deducted based on your billing cycle and may have a compounding effect on performance. As fees are deducted periodically throughout the year, the compounding effect may increase the impact of the fees by an amount directly related to the gross account performance.

**Indices:** Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the

Benchmark Definitions section of this material for additional information on the indices used for comparison.

**Performance Inception Month End:** Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

**Projected 12 Month:** Projected 12 Month Income is based upon cash income from interest, cash dividends, and partnership distributions. It is a hypothetical projection calculated using current yields. The projected income referenced is based upon certain market projections effective as at today's date only and can change at any time. Such projected income is hypothetical, do not reflect actual investment results, and is not a guarantee of future results. The projected income is referenced for illustrative purposes only. Morgan Stanley does not represent or guarantee that the projected income referenced will or can be attained. The actual income may be lower or higher than the projections based upon a variety of factors and assumptions. The projected income shown may under or over compensate for the impact of actual market conditions and other factors. We make no representation or warranty as to the reasonableness of the assumptions made, or that all assumptions used to construct this projected income information have been stated or fully considered. To the extent that the assumptions made do not reflect actual conditions, the illustrative value of the hypothetical projected income will decrease. The projected income referenced may include income from Morgan Stanley & Co. and External Accounts, where data is available. Such information was obtained from third party sources which Morgan Stanley believes to be reliable. However, we make no representation or guarantee that the information is accurate or complete. You should not rely upon this information to make any investment decision. Please refer to the official account statements and performance reports you received from your custodian and/or financial institution for information about projected income in your External Accounts. The projected income referenced does not include income from assets in Manually Added External Accounts.

**Bank Deposit Program:** Under the Bank Deposit Program, generally cash balances held in account(s) at Morgan Stanley Smith Barney LLC ("MSSB") are automatically deposited by MSSB into an interest bearing FDIC-insured deposit account(s), at Morgan Stanley Bank, N.A. and/or Morgan Stanley Private Bank, National Association, each a national bank, Member FDIC, and an affiliate of MSSB. Detailed information on federal deposit insurance coverage is available on the FDIC's website (<https://www.fdic.gov/deposit/deposits/>). Cash balances generally include the uninvested cash in a client's account(s) minus certain items such as purchase transactions due to settle within a specified time period, other charges to a client's account(s), and cash balances that are designated as collateral for a client's obligations.

**Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States.**

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance. Morgan Stanley Smith Barney LLC offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program.

Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be appropriate for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV). **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

**Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy.** GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a **'Watch'** policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to

address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

**Adverse Active Alpha<sup>SM</sup> 2.0** is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see *Adverse Active Alpha<sup>SM</sup> 2.0: Scoring Active Managers According to Potential Alpha* and *Value Score: Scoring Fee Efficiency by Comparing Managers' "Fair Value" and Actual Expense Ratios*. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

**The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs** GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

**Strategy May Be Available as a Separately Managed Account or Mutual Fund** Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. Generally, investment advisory accounts are subject to an annual asset-

based fee which is payable monthly in advance (some account types may be billed differently). (The "Fee"). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub-Manager fees. If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. Overlay Managers or Executing Sub-Managers ("managers") in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf). For more information, please refer to the ADV Brochure for your program(s), available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or contact your Financial Advisor/Private Wealth Advisor. For example, on an advisory account with a 2.5% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.38% after one year, 10.50% after three years, and 18.10% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be an appropriate asset allocation for you, whether CGCM is an appropriate program for you.

**No obligation to notify** – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

**Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at [www.morganstanley.com](http://www.morganstanley.com). Please read it carefully before investing.**

***An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.***

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The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

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Electronic payments arrive to the payee within 1-2 business days, check payments arrive to the payee within 5 business days. Same-day and overnight payments are available for an additional fee within the available payment timeframes.

**KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS**

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established

companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not appropriate for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

**Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. This is not a "research report" as defined by FINRA Rule 2241 or a "debt research report" as defined by FINRA Rule 2242 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including

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Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not

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guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

***Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment.*** Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and ***investors could lose their entire investment.***

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.

- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.

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- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is *not* one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.
- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.
- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.
- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.
- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.
- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.
- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

**Tax laws are complex and subject to change.** Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/doj](http://www.morganstanley.com/disclosures/doj). Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

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*For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>*

**GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS:** The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

**HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

**FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS:** None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at [www.morganstanley.com/adv](http://www.morganstanley.com/adv). The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

**Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get

no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

**Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

**Master Limited Partnerships (MLPs)** are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

**Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

**Nondiversification:** For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

**Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected. Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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## GENERAL DEFINITIONS

**Annualized Standard Deviation:** A statistical calculation that measures the volatility of returns over time; the larger the standard deviation, the greater the volatility.

**Dollar-Weighted Return (Internal Rate of Return):** A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals.

**Gross of Fees:** Performance results depicted as "gross" of fees do not reflect the deduction of any wrap fee, investment management fee, trade commissions, and/or other account fees. Your actual returns are lower after deducting these expenses. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

**Investment Earnings:** A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

**Net Contributions/Withdrawals:** The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

**Net of Fees:** Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

**Performance ineligible assets:** Performance returns are not calculated for certain assets because accurate valuations and transactions for these assets are not processed or maintained by Morgan Stanley Smith Barney LLC. Common examples include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

**Tax-Qualified Account(s):** Accounts that qualify for favorable tax treatment under US federal tax law and may benefit from favorable tax treatment under applicable state tax law. Typically, these accounts benefit from tax deferred growth potential, meaning investment earnings (such as capital gains, dividends, and interest) are generally not subject to federal income tax while the earnings remain in the account. Capital gains rates generally do not apply. Distributions of taxable amounts are generally subject to ordinary income tax and, if made before age 59 1/2, may be subject to a 10% (25% for certain SIMPLE IRA distributions) penalty tax. Some tax-qualified accounts, such as traditional Individual Retirement Accounts ("IRA") and employer sponsored retirement plan accounts, may allow tax deductible and/or pre-tax contributions (subject to certain limitations and restrictions). Other tax-qualified accounts, such as Roth IRAs and Coverdell Education Savings Accounts, may allow income tax free distributions, but only if certain conditions are satisfied.

## TSBA OPEB TRUST

Prepared on January 28, 2022 | Reporting Currency: USD

**Taxable Account(s):**Accounts that are not Tax-Qualified Account(s), meaning investment earnings (such as capital gains, dividends, and interest) are generally subject to current US federal income taxation when held by US taxable investors. Note, however, that this category may include specific assets that are generally not subject to US federal income tax such as municipal bonds.

**Time-Weighted Return:**A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

**Total Value:**"Total Value" represents the Market Value of the portfolio or Asset Class referenced and includes the accrual of interest and dividends. Total Value in the Asset Allocation view prior to January 2014 does not reflect the accrual of interest and dividends. Total Value for Morgan Stanley & Co. and External accounts also does not include accrued interest and dividends.

## BENCHMARK DEFINITIONS

**TN TSBA Composite:**The current allocation is comprised of 25.00% BC Global Agg 1-3 YR, 15.00% MSCI EAFE Net, 50.00% MSCI AC World Net, 10.00% MSCI EM Net.

**MSCI AC World Net:**The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE T-Bills 30 Day:**A measure of monthly returns equivalent of yield averages that are not marked to market. A measure of short term rates.

**Russell 1000 Gr:**The Russell 1000 Growth Index is representative of the U.S. market for large capitalization stocks containing those companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth.

**MSCI EAFE Net:**The MSCI EAFE Index -Europe, Australasia, Far East - is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**Russell 1000 Value:**The Russell 1000 Value Index is representative of the U.S. market for large capitalization stocks containing those companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth.

**CPI:**The U.S. CPI Index is a measure of the average change in prices over time in a fixed market basket of goods and services. The index is for all U.S. Urban Consumers, which covers approximately 80% of the non-institutionalized civilian population. This index is seasonally adjusted. Seasonal adjustment removes the effects of events that follow a more or less regular pattern each year. These adjustments make it easier to observe the cyclical and other non-seasonal movements in a data series. Due to availability this is an estimated return until the 15th business day of each month, which is then revised to the finalized return.

**MSCI EM Net:**The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**BC Global Agg 1-3 YR:**The Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. This index is the 1-3 Yr component of the Global Aggregate index.

**Barclays Aggregate:**The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).